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ABSTRACT

In one of a series of hearings held in communities around the nation on the reauthorization of the Higher Education Act of 1965, the Subcommittee on Postsecondary Education met to hear testimony from administrators in higher education and others in the state of Indiana. A particular concern of the 15 witnesses appearing at this hearing was student financial assistance programs supported by the Act. The witnesses included Norman Bridges of Bethel College; Stephen W. Clinton of Indiana Secondary Market for Education Loans, Inc.; Daniel Cohen of Indiana University; Robert A. Greenkorn of Purdue University; Diana Heidt, a parent; Theodore M. Hesburgh, past president of University of Notre Dame; Sister Virginia Kampwerth of Ancilla College; Carl Lutz of Indiana Vocational Technical College; Amelia M. Munoz of the South Bend Education Center; Mary Nucciarone of Saint Mary's College; Karen Rasmussen of the Indiana Commission for Higher Education; Joseph A. Russo of the University of Notre Dame; John W. Schulz of the human resources division of Miles, Inc.; Victor Stolzfus of Goshen College and Cleophus Washington of Manse Law Offices. Also included are the prepared statements of the witnesses and of those who were not able to appear as well as letters and supplemental materials. (JB)

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965: SOUTH BEND, INDIANA

ED342302

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

HEARING HELD IN SOUTH BEND, IN, JULY 26, 1991

Serial No. 102–78

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965: SOUTH BEND, INDIANA

FRIDAY, JULY 26, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
South Bend, IN.

The subcommittee met, pursuant to notice, at 9 a.m. at the Hesburgh Center for International Studies, University of Notre Dame, South Bend, Indiana, Hon. Tim Roemer presiding.

Members present: Representatives Roemer, Klug and Andrews.

Staff present: Tom Wolanin, staff director and Diane Stark, legislative associate.

Chairman ROEMER. Good morning. The Education and Labor Committee of the United States Congress will now come to order.

I am pleased to convene the Postsecondary Education Subcommittee's hearing in South Bend, Indiana, this morning. I want to extend a very warm welcome to my colleagues, Representatives Rob Andrews from New Jersey and Scott Klug from the State of Wisconsin, and members of the committee staff who are joining me today in conducting this hearing.

This hearing marks the forty-first in a series of hearings that the subcommittee has conducted in Washington, DC and around the country on the Reauthorization of the Higher Education Act. The pending reauthorization provides us with an opportunity to respond to emerging challenges by strengthening and improving the current act.

During this extensive hearing process, the subcommittee has examined every title of the act, with much attention focused on Title IV, Student Financial Assistance programs. After the hearings are concluded next week, the subcommittee will begin to draft a comprehensive legislative proposal based on many of the recommendations that we have received throughout the hearing process.

During the course of these hearings, we have had extensive testimony on the dramatic shift in the last decade from grants to loans as the primary means of Federal student aid. Next week, I plan to introduce legislation which will increase the maximum amount of the Pell Grant from $3,100 to $4,500. The financial squeeze on middle income and working families has been increasing in the last decade.

Yesterday, we heard testimony from the former president of the University of Massachusetts, who is now currently the president of

American University. Dr. Duffy said that at his former university, the University of Massachusetts, tuition and fees had gone up 300 percent in the last 5 years. For many of these families faced with this squeeze, the costs of higher education for their children have increased faster than their incomes. Prospects for a college education for their children is becoming a nightmare instead of a dream. We must expand student financial assistance to help these families.

The student aid programs have been tarnished by reports of high default rates and inferior education programs at some of the schools. We must restore confidence and integrity in these programs through this reauthorization process. I am also concerned about the simplification of the financial aid programs, increasing information about the availability and types of aid for postsecondary educational opportunities.

We will have testimony from our distinguished witnesses on all of the areas that I have outlined this morning. I believe that many of the solutions for enhancing higher education opportunities for all Americans will come from the witnesses here in Indiana today. I am delighted to have the expertise and experience of our lead-off witness, Father Hesburgh. However, before I introduce Father Hesburgh, I would like to recognize my colleagues for their opening statements or remarks. Congressman Andrews?

Mr. ANDREWS. Thank you very much, Mr. Chairman. I want to thank you and your staff and your neighbors for extending such a warm welcome to us here in your district in Indiana. I can understand now why you speak all the time so warmly and fondly about the area that you represent and the people that you represent. I like it here, and I may even stay awhile. It is a very, very, nice place.

Chairman ROEMER. We are not sure we want you to like it that much.

Mr. ANDREWS. I also appreciate the fact that you called and organized this hearing this morning on this very important topic. I want to relate to you briefly a story. I was in my district last Saturday and I had gone out running. I was dressed in a tee shirt and shorts and probably did not look or smell particular good.

I went into a delicatessen in my neighborhood and was standing in line behind another guy who went up to order a pizza. He was talking to the guy behind the counter. The conversation turned to the world in general and politics. The customer said to the guy running the delicatessen politicians are just no good. They are all a bunch of liars, thieves. You cannot take anything they say at face value. They are all a bunch of crooks.

The eyes of the guy behind the counter are kind of getting a little big because he sees me over the guy's shoulder. I sort of motion and say no, don't worry about it because I want to hear what the guy said. The fellow eventually turns around, and I do not think he recognized me not wearing a suit and tie. It is sort of our lot in life that we always have to wear these. He looked a little apologetic, but not all that apologetic on second thought.

I thought about that as I was preparing for today's hearing and wished that I could bring that gentleman here to this hearing to participate this morning. The first reason is that I would like him to meet someone like Congressman Roemer. Someone who feels

that politicians in this country are in it for their own good, that they do everything on the basis of Republican versus Democrat or that they are always in it for a photo opportunity or press opportunity ought to meet someone like Congress Roemer.

I have only known him for a couple of months, but I will tell you that it is a great privilege, both personally and professionally, for me to work with him. You should feel very proud of the fact that his reputation among his colleagues, even in just a few months, has grown to the point where he is someone who is respected and well thought of on both sides of the aisle. Tim, it is a pleasure to be here with you today for that purpose.

The other reason I would like to bring him here is that he ought to see that we really are hard at work on solving problems that I think would be on his mind. It is difficult for him to send his children on to college or a proprietary school to get a higher education. It is difficult to deal with the complexity of the financial aid system. It is difficult to deal with the frustrations of loan repayments for people after they graduate and have a hard time finding a job.

This committee is addressing all of those problems and many more. This hearing today that you have called gives us an opportunity to hear from people in the community in the field, sharpen our approach to solving these problems. I am very grateful for your giving us the opportunity to do that, and I look forward to hearing today's witnesses. Thank you.

Chairman ROEMER. Thank you, Congressman Andrews. I appreciate your kind words as well.

Congressman Klug?

Mr. KLUG. First, I want to ask Rob why he does not want his friend from Philadelphia to meet me.

It is nice to be back in South Bend. I went to a Catholic high school in Milwaukee and had several close friends who went to Notre Dame and spent a lot of my misspent college days at football games and assorted parties here. It is a great city that I knew, and it is nice to be back a number of years later to get a chance to spend some time in Northern Indiana once again.

Professor Porter at Harvard University has spent a career over the several years talking about the competitive advantages of companies and how some companies thrive and other companies seem to have a difficult time surviving in the new business era we find ourselves in. He followed up not too long ago with an argument about the fact that nations, themselves, enjoy competitive advantages. In some cases, it is natural resources. In other cases, it is the advantages of geography. But In other cases, it is the institutions or something in that country that makes it unique and able to flourish when other countries around the world are not faring as well.

In the United States, clearly one of our major advantages and sources of competitive advantages is our higher educational system. In one recent study, when asked to name the top 18 universities in the world, 12 of them turned out to be in the United States. If ever you wanted to get a sense of true market forces in the world, all you have to do is look at American universities where 400,000 foreign students come to study. That, obviously, is a great resource for

us in the number of different colleges and universities you see represented in today's hearing.

Tim, Rob and I are all concerned about making sure those colleges and universities stay healthy, not only for students around the world but also students from here in the United States. We face a time when it is obviously a great tug of war between limited financial resources and an increasing demand, particularly on the part of the middle class, to have more help to be able to pursue a higher education dream.

We also, I think, in some ways face a difficult time balancing all the different options that are out there for students, traditional institutions of four-year higher learning proprietary schools and vocational technical schools. All of them fit very closely. And as the demographics of the college students change, so too have the makeup even of the institutions which serve them.

One of my high priorities is to make sure that all of those different kinds of institutions still survive and still do very well to serve what is increasingly a very divergent group of students.

Finally, I, like Rob, want to extend my thanks to Tim and to his wife, Sally, for inviting us here today. A lot of times politics in Washington can be dominated by talk along partisan lines. But we got to be good friends during the freshman orientation, and I was delighted not too long ago when he set up a group called the children's caucus to work on kids' issues. Although we work on different sides of the aisle, it is an issue we feel a great deal of common interest in.

He is a bright, young star in Congress. You should all be very pleased he is here today. That is why we are, obviously, here with him.

Chairman ROEMER. Thank you, Scott. Can I use those words in my next campaign?

Without objection, the prepared testimony of all of the witnesses this morning will be included in the full record. In addition, a statement by Richard Kenyon, the president of Tri-State University, will also be included in the record.

[The statement of Richard Kenyon follows:]

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TESTIMONY OF DR. RICHARD A. KENYON

PRESIDENT

TRI-STATE UNIVERSITY

ANGOLA, INDIANA

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

JULY 26, 1991

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to present testimony on behalf of Tri-State University in Angola, Indiana.

I applaud your effort to concentrate the attention of our nation on the critical need to review, refine, and dramatically restructure our educational system. In the last decade, we have seen a steady decline in the demonstrated competency of graduates of our grade schools, high schools, and institutions of higher learning. In 1985, as you know, the Commission for Excellence in Education published a report to the Secretary of Education and to the American people entitled "A Nation at Risk: An Imperative for Education Reform. The report concludes that the decline of the U.S. educational system in

recent years threatens to "destabilize American prosperity, security, and civility."

It is clear to me, Mr. Chairman, that we must make education our number one priority. The new generations of Americans currently studying in our schools must be carefully prepared for responsible citizenship, further learning, and productive employment in our modern economy. Meeting the current challenges of the 1990's by preparing students to take their places in an increasingly complex and competitive world economy is a tremendous task which warrants a close cooperation and energetic partnership between the federal government, our state government, and private and public educational institutions.

My testimony discusses the absolute importance of building alliances between institutions of higher learning, such as Tri-State University, and surrounding industries in order to promote economic development and develop job retraining opportunities which will strengthen our economic competitiveness. Providing an integrated program of education, research and technology transfer is critical to our competitive standing in the world order.

The Higher Education Act of 1986, which your Postsecondary Subcommittee will re-authorize this year, encourages such partnerships between universities, local government agencies, local businesses and labor, and points to the need for educational programs which apply technology research to manufacturing aspects of mature industries in a given region or state.

As President of Tri-State University--a private institution of higher learning which has a long and distinguished track record of educating engineers and scientists for a competitive workplace--I am extremely pleased to submit this testimony about the importance of continuing to provide federal support for this purpose.

The upper midwest, the traditional service area for Tri-State University, has been the center of much of the nation's heavy manufacturing activity for over a century. The American automotive industry has been particularly prominent among the major industries of the region. By far the largest proportion of our students come from the tri-state area of Indiana, Michigan, and Ohio, and nearly one-half of our alumni reside and work in these three states. I am proud to add and you may be interested to know, Mr. Chairman, that a 1990 Standard & Poor survey ranks Tri-State University third in the State of Indiana (among 40 colleges and universities) in the percent of living alumni who are considered by Standard & Poor to be leading corporate officers. This region is fortunate to claim the home of the education of these outstanding individuals.

Tri-State University is within easy driving distance of Detroit, Chicago, Toldeo, Cleveland, and Indianapolis and is surrounded by dozens of manufacturing companies and industries--many of which have close associations with the University. The following companies currently participate in our cooperative education program and actively recruit our graduates for permanent employment: in Indiana, Allison Gas Turbine, Atec Associates, Ford Electronics, Borg-Warner, United Technologies, Central Soya, Dana; in Michigan, Eaton

Corporation, Dow Chemical, Armstrong International, and the Michigan Department of Transportation; in Ohio, Federal Mogul, LaFarge, Dupont, and Ohio Department of Transportation. The University also has active professional relationships with GE Motors, GTE, Northern Indiana Fuel and Light, IBM, General Motors, Amoco, and Western Rubber.

Currently, the University's Technology Division faculty are working closely with area manufacturing companies in preparation for a curriculum revision in Manufacturing Technology, Design Technology, and Mechanical Engineering. The objective is that students will have a firm grasp of the critical relationship between design, manufacturing, and quality control.

The Science Department's analytical laboratory does sophisticated testing of water, soil, and all organic and inorganic substances for industries, city health services, developers, and individuals in the northeasternmost counties of Indiana. The objective of this service is to make environmental monitoring convenient for everyone.

The University is also actively engaged in developing a strategy to equip a telecommunications center and electronic classroom with uplink, downlink, and teleconferencing capabilities. All regional companies in the northeast Indiana area will have access to these sophisticated technologies. Tri-State University, as it moves into its second century of teaching and service, has established manufacturing technology and environmental science as a major focus of development in response to the increased industrial needs of the upper

midwest region. Additional research and industrial service projects in manufacturing with special emphasis on energy and environmental aspects of manufacturing will be undertaken in conjunction with regional business and industry. A Division of Graduate Studies and Continuing Education is being developed currently to make known our capabilities and to initiate more partnerships with business and industry. As Tri-State moves forward with a variety of initiatives, it does so convinced of the need to address the serious national concerns we all share for economic competitiveness, energy dependence, and environmental preservation.

As the private sector's demonstrated interest in working with Tri-State University indicates, the University has the professional expertise to undertake this important work. Unfortunately, its physical facilities will be severely strained in the absence of new and more appropriate research space. Tri-State University's efforts to build upon its record of accomplishment in providing an integrated program of education, research, and technology transfer to the tri-state area requires the establishment of a partnership with the Federal government. The immediate priority of this partnership must be financial support for improvements to and renovation of Tri-State University's research and manufacturing technology facilities.

Mr. Chairman, I want to thank you again for holding this hearing on the Higher Education Re-Authorization Act here in our State of Indiana. I support your efforts to improve the quality and competitiveness of our educational system, and I respectfully ask your serious consideration of developing a partnership with Tri-State

University through the Higher Education Re-Authorization Act. Federal support will enable the University to continue to serve the host of businesses and industries who depend on the standard of excellence of a Tri-State University education.

Thank you for your consideration of this testimony.

Chairman ROEMER. At this time, I would like to introduce our first witness, Father Theodore Hesburgh. It is very difficult to introduce someone of Father Hesburgh's stature, prestige and grace. Father Hesburgh has worked with my grandfather, who taught at Notre Dame, and with my mom and dad.

My mom is here this morning, whom I welcome. Father Hesburgh has worked with her on many occasions to expand Notre Dame's involvement in this community, locally, and internationally through volunteer programs. Father Hesburgh has been involved in international peace efforts and working with Presidents of the United States on education endeavors and initiatives.

We will hear about some of those proposals. I think one of the most important things about Father Hesburgh is mentioning the things that are not publicly known about his impact on peoples' lives. We will hear testimony later today, without spoiling this testimony, from a young woman who was the first to graduate out of a family of nine children. She says that she could not have done it without the personal involvement of Father Theodore Hesburgh.

Not only is he trying to gain peace throughout the world, but he works so closely and intimately at the individual level to help people. With that introduction, Father Hesburgh, I would like to welcome you as our first witness this morning.

Father, as you know better than I do since you have testified before Congress on many occasions, your full testimony will be entered into the record as if read. If you want to concentrate on any particular area, or idea, feel free to take this opportunity.

STATEMENT OF REVEREND THEODORE M. HESBURGH, C.S.C., PRESIDENT EMERITUS, UNIVERSITY OF NOTRE DAME, NOTRE DAME, INDIANA

Rev. HESBURGH. Thank you very much. Thank you for that nice introduction, Mr. Congressman, Chairman Dr. Roemer. Sounds like the way they introduce people in Austria where if you have three doctorates, they say doctor, doctor, doctor.

I would have to say, as I have so often in the past when people are wonderful in their praise, it may not all be true, but it certainly sounds good. That is an old Italian proverb, "Si non e vero e ben trovato."

I am delighted also to welcome Congressman Andrews and Congressman Klug to your district, Mr. Chairman, because we know of their wonderful interest that draws them here to share with us a very important problem.

I would also like to say good morning and a warm welcome to everyone else who has assembled here today to conduct this hearing on one of our Nation's most pressing problems, which is the financing of higher education. It is with a good deal of enthusiasm that I, as a young president of Notre Dame, supported the Congress and President Lyndon Johnson in enacting the Higher Education Act of 1965. That seems a long, long time ago.

Over the years, since its initial passage and subsequent reauthorization, Congress and our Presidents have seen fit to enhance the early legislation with tremendous support for our students and out institutions, as well.

We at Notre Dame are and have been very appreciative—I am sure this goes for all the other institutions represented in this room—very appreciative of the literally millions of dollars that have been provided through Federal assistance in grants, and in loans, and in work study to thousands of our students and their families in meeting the cost related to obtaining a Notre Dame degree, but it has also played a major role in adding to the diversity of our student body, so important in our ability to offer a truly broad educational experience to every student prepared, no matter where they come from.

As Federal programs have expanded, like many other similar enterprises, so understandably has the complexity involved in their administration. I am sure you are going to hear a good deal about this today, so I will brush over it lightly. As good custodians of our taxpayers' funds, we certainly appreciate the need for rules and regulations. Yet, when the simple intent of the original legislation to provide and to encourage access to further education, particularly among our truly disadvantaged populations—is not only no longer served by our laws and regulations, but actually creates an obstacle and a discouraging barrier because of the complexity of the application and the delivery process, then it is time that we look back and begin to refresh our simple goals. Perhaps with the great advances in modern technology—and, of course, I am talking of computers—we can satisfy both the simple intentions of the original Higher Education Act, as well as deal with the many important questions and concerns which have developed over the years without handicapping or discouraging those who aspire to a college education.

While many changes took place in higher education over the long years I spent as president, perhaps none was more dominant as the great expansion of enrollments and the vast array of educational institutions which now serve our society.

If I could divert for a moment from my vritten testimony, when I became president, there were about three million students in higher education back in 1952. That was over three centuries since the founding of the first educational institution at Harvard in 1636. By the time I retired in 1987, there were over 12 million, more than a fourfold growth in that period of students in higher education and many more institutions, particularly on the community level.

Throughout this tremendous period of growth and opportunity for our citizens, I have sometimes wondered about the quality of education which is being provided by many institutions. Today, there appear to be many who question the standards of our schools, including the quality of our educational programs, our graduation rates, and the ability of our students to serve meaningful employment.

This, too, is also reflected in the Nation's media by stories of institutional fraud and abuse, scandal, financial insolvency, and the high loan defaults of former students. Again, you will be hearing many remarks about this condition today, and I will not belabor the point except that education is so high an endeavor, it should get our highest attention and reflect our highest value and highest quality as a Nation.

If we, as leaders of our country, hope to receive the continued and increased support of our hardworking taxpayers, we cannot permit these kinds of problems to exist. Without attacking all of the many fine institutions and organizations involved with the financing of higher education, many of whom are in this room today, we need to address our punitive measures at those who are obviously not doing the job. In other words, punish the offenders, not those that are keeping the law.

I think I am wise enough to know that the details of such measures need to be left to individuals more directly involved with the programs. I am sure that those who will be testifying here today will have much to add in this regard.

Let me say that I have a few minutes left, which is unusual, and I would like to give my time to Joe Russo, our financial director here, director of financial aid at Notre Dame, who knows much more about the details of this matter than I do.

I would like to conclude by thanking all of you for your past support and for coming here today. I would like to wish you well in the important work that lies before you in the coming months. I am absolutely sure that you can change and improve this law and its operation. I would also like to say that there are few laws on our books that have done more good or that have the promise of doing more good than the wonderful law which you are discussing here today and which is up for renewal.

Thank you very much.

[The prepared statement of Rev. Theodore M. Hesburgh, C.S.C. follows:]

Testimony

Committee on Education and Labor

U. S. House of Representatives

Subcommittee on Postsecondary Education

Rev. Theodore M. Hesburgh, C.S.C.

President Emeritus

University of Notre Dame

Notre Dame, Indiana 46556

July 26, 1991

South Bend, Indiana

Members of Congress:

Good morning and a warm welcome to you and everyone else who have assembled here today to conduct this hearing on one of our nation's most important topics: the financing of higher education. It was with the greatest of enthusiasm that I, as President of Notre Dame, supported the Congress and President Lyndon Johnson in enacting the initial Higher Eduction Act of 1965. Over the years since its initial passage and subsequent re-authorization, Congress and our Presidents have seen fit to enhance the early legislation with tremendous support for our students and institutions.

We at Notre Dame are and have been very appreciative of the literally tens of millions of dollars provided through federal assistance programs of grants, loans, and work study to thousands of students and their families in meeting the costs related to obtaining a Notre Dame degree, but it has also played a major role in adding to the diversity of our student body -- so important in our ability to offer a truly broad educational experience.

As the federal programs have expanded, like many other similar enterprises, so understandably has the complexity involved in their administration. As good custodians of our taxpayers' funds, we certainly appreciate the need for rules and regulations. Yet when the simple intent of the original legislation -- i.e. to provide and encourage access to further

education, particularly among our truly disadvantaged populations -- is not only no longer served by our laws and regulations but is actually creating an obstacle and discouraging barrier because of the complexities of the application and delivery process, then it's time we look back at our beginning to re-fresh our simple goals. Perhaps with the great advances in modern technology, we can satisfy both the simple intentions of the original Higher Education Act as well as deal with the many important questions and concerns which have developed over the years, without handicapping or discouraging those who aspire for a college education.

While many changes took place in higher education over my many years as President, perhaps none was so dominant as the great expansion of enrollments and the vast array of educational institutions which now serve our society. Throughout this tremendous period of growth and opportunity for our citizens, I have sometimes wondered about the quality of education which is being provided by these institutions. Today there appears to be many who question the standards of many schools, including the quality of their educational programs, their graduation rates, and the ability of their graduates to secure meaningful employment. This is too often reflected in our nation's media by stories of institutional fraud and abuse, scandal, financial insolvency, and high loan defaults of former students.

If we, as leaders of our country, hope to receive the continued and increased support of our hard-working taxpayers, we cannot permit these kinds of problems to persist. Without attacking all of the many fine institutions and organizations involved with the financing of higher education, we need to address our punitive measures at those who are obviously not doing the job.

I am wise enough to know that the details of such measures need to be left to those individuals more directly involved with the programs. I am sure that those who will be testifying here today will have much to add in this regard.

Let me conclude my remarks by thanking you for your past support and wishing you well in the important work that lies before you in the coming months. If there are any questions, I will do my best to try and respond.

Chairman ROEMER. Thank you, Father, for that testimony and your insights, as well.

One of the reasons that we have brought the subcommittee to South Bend, Indiana, is because of people like you and on the other panels that will serve throughout the day to relate your experience, your commitment, your anecdotal stories about what we can do to both improve the Reauthorization of Higher Education Act, as well as improve primary and secondary and technical/vocational education, as well.

Your commitment is second to none, and we are anxious to hear some of your past experiences. Perhaps you would relate to the committee your experience with a former President and your recommendations on higher education. Could you tell us what actually transpired between the two of you; what was actually implemented; and what you might add to those recommendations as we move into a new century coming up Father, for very creative reforms?

Rev. HESBURGH. Well, first of all, just to pull up one reminiscence, which is not generally known. Two weeks after his inauguration as President of the United States, I happened to be alone in the oval office with Mr. Nixon in connection with the work of the United States Commission on Civil Rights.

We finished our business and I said well, while I am in here, I have a little free advice for you. The first point is if you want to really be a great President, get us out of Vietnam. Two, if you cannot get rid of the draft, which I hope you can, you ought to install another way of doing it, an all volunteer army, which he did not within the next year. It took a lot longer to get out of Vietnam.

Then I said if youngsters can be drafted at age 18 to go to war, they ought to be able to vote for who is sending them. I think you ought to get the vote for youngsters at age 18, and he did that by constitutional amendment within a couple of years.

But perhaps the most important thing I said to him that day was that what happens to education is what happens to America, and that many of us in higher education have been bemoaning the fact that some of the very best students we might have could not come because they simply could not pay the bills or their families could not.

I said through loans and grants and work study programs, I thought it ought to be possible for the richest Nation on earth to say to all of its younger citizens if you can get in a good educational institution, you will be able to pay the bills. It will not all be the same way. You will have to borrow some money; you will have to bring some savings; you will have to work for some money; you will have to get what help you can from your parents; you will have to borrow.

But the simple fact is, wouldn't it be wonderful if we could say in America that every single young American could get into any school possible and know that he would have the finances to attend and graduate from that institution.

I think it fair to say that among other things, Mr. Nixon did accomplish that in large measure during his time by the additions to this act we are discussing. But I would also have to say that since that time, it has been mostly downhill; and that things are getting more and more difficult because, of course, inflation keeps eating

away at the amount of money or the effectiveness of the amount of money granted. Costs keep rising because of inflation and the normal rise of prices, and that makes the bills higher on those coming to universities.

Perhaps even more, the kind of enthusiasm that attended the early days of this bill has somewhat run out, I think. It is easier now to borrow all the money, or it is easier to make it so complicated that people cannot possibly hack it. Or they say why give these students money; they are never going to pay it back.

What all of this anecdotal business forgets is that very fundamental thing I told the President, that what happens to education is what happens to America. If we have a well-educated Nation with strong values and trained intelligence, we will have a fine Nation. If not, we will be a second-rate Nation.

I think it is important that we constantly look at education in this country, reward those that are doing good work—and I would have to say the vast majority are doing good work—eliminate those who are doing poor work. As I say, they are a great minority in the total number of institutions and educators in this country. But really simplify the thing to the extent that people do not feel it is impossible to get through the mass of bureaucracy and paperwork to be able to go to a university. Be able to say quite simply, if you can get in because you have worked hard in high school to be accepted at a great university, you can go there. With their help and our help and the interest of the American people in higher education, you can go there.

Now, while we bemoan the fact that we have problems and we bemoan the fact that we never have enough money to do what we would like to do, the fact is that the growth is absolutely spectacular; and anything that can grow four times in 30 years from what it accomplished in the first three centuries of its existence has got to be vital and alive. I think this act is largely responsible for that.

Secondly, I think we simply have to say that things work best when they are simple. They work best when we get rid of the complications that keep them from working. They work best when we reward those who work well, and I think they work best when we see that we have the most unique institution of higher learning or institutions of higher learning in the whole world.

I remember the first time I was on the Institute of International Education Board in New York. This must be 40 years ago. There were 25,000 students from foreign lands matriculating or studying at higher educational institutions in America. As Congressman Klug said so well, today there are over 400,000.

Again, that is a phenomenal growth from 25,000 to 400,000. I think it says something. It says that with all the faults we have in this country, we still have the best educational system in the world. We may have some very poor institutions, but we have some absolutely superb institutions. The amazing thing is that the greatest number of those at the top of the list have been put together by private American endeavor.

But let us not undercut the public institutions, either, because they have taken the greatest number. We used to have back in 1952, as I mentioned, 3 million students in higher education. Half of them were in public schools; half of them were in private

schools. That growth only took place because this country's governments, local, State, and Federal, put up enough money to create new institutions, new classrooms, to hire new teachers, to create new libraries, new laboratories.

Because of that simple fact, we went from 3 million students to over 12 million students in a matter of 30 years, three decades. Not only that, we created the institutions to take care of those extra students. At the end of the process there were only 20 percent in private education and 80 percent in public education. But that is because that enormous expanse simply could not be taken care of in the private sector alone.

I will conclude on this particular point by saying that what you are doing is public sector work, but you are also responsible for keeping alive in this country a very strong private sector that is noted for its excellence.

Chairman ROEMER. Father, let me just follow up with one question and then defer to my colleagues for their questions. I guess this is an appropriate question, given that we are in this building this morning. We are seeing a great deal of emphasis put on the study of foreign language, which I know you are very interested in. You have written me on this topic recently.

From the Persian Gulf situation and military information and translations to our international competitiveness, we have got to put some of our best minds on this problem and topic, as well as our economic international competitiveness. We have seen several different proposals, however, one that I am particularly interested in would do three things.

It would provide undergraduates with a fellowship or a grant to study abroad. Secondly, it would provide a fellowship for graduate students here in the United States to study in their specific areas. Thirdly, it would provide grants to universities and colleges to improve their language schools and their international relations programs.

Can you comment on the importance of this kind of program, as well as any kind of additions that you might add to the legislation that would improve our language skills in this country, our understanding of different cultures, and our international competitiveness?

Rev. HESBURGH. I would be happy to because I think a good part of my life has been spent in the international arena. I have been in over 140 countries on earth, and I have managed to learn how to speak a good number of languages. I have cherished the fact that God did not make us all alike. We come in many different colors and many different makeups ethnically, and culturally, and certainly nationally. And that is all of the good. It is part of the richness of America.

But we have forgotten much of that culture. Most people come from many different cultures and form one culture. We are all, many of us, a great mixture of cultures. I have at least five different cultures in my genetic background, and I am proud of it.

But I would like to say that Americans today tend to be monolingual. They are lucky if they speak good English. Then they tend to be quite ignorant of the makeup of the world and geography. Some of them cannot find Miami or Portland on a map if you gave them

a map. They tend, I think, to think that life begins and ends at 9 this morning, especially if they are out late the night before.

They somehow do not have that range of history in their perspective that puts things in proportion, that it did not begin at 9 o'clock this morning, that every nation, every culture has a richness that can be appreciated. And if you appreciate it, it enriches you in your own personality and character.

So this building, for example, is just built for international studies. I cannot even begin to tell you what is going to happen here, but the core of the study is the reason the money was given by Mrs. Kroc to build this building, is that it might pursue peace in a nuclear age; that it might pursue peace in a longer range way by being concerned about the environment; that it might look for what we can do to help other countries achieve democracy and to achieve economic and social and political growth for stability in the world, another way of describing peace.

This very room you are in has got the very latest—you cannot see them because they are in the walls or they drop down from the ceiling, the very latest electronic equipment. We can sit in this room and conference with anybody in Beijing, and Moscow, and Cairo, and Buenos Aires at the same time without them having to come here.

Chairman ROEMER. We can have hearings without having the committee come to South Bend. Right, Father?

Rev. HESBURGH. That is right, but that is easy compared to doing it because the others involve time zones and people operating at two in the morning. But what I want to say is that what you do to improve the knowledge of foreign language—and that, I think, having gone through the experience in many different contexts—that is done best by being where the foreign language is operative. It is hard to sit here in South Bend and get excited about Russian; but if you are in Russia looking for a hamburger, it helps to at least know what the word for it is.

So I just think to enable our students to move around to different countries, we, today, have Notre Dame programs in about 14 different countries, which means the students are learning 14 different languages except those that study in England; and I guess that is a kind of different language, too.

But the fact is that the exposure to a culture, to a language, to the richness of something that is different than what you possess in your own culture and language, that, I think is a very important part of education in the new millennium. I think the efforts you are making to provide for this—we have had to provide for it privately, but it puts a great limit on how many students we can involve in these programs because of the cost.

But a little help in that, and help especially in bringing students to our universities, the best way to create peace in the world, I think, is to bring a lot of young people from other countries here and let them experience this country, experience a living democracy, experience freedom and all of its aspects, even experience a little of the confusion that democracy inevitably brings and a little of the political process that makes democracy stay alive.

I would like to say just one last thing on this point. That is that one of my dreams, and it has been true for now 4 years, was to go

into the world of conflict. I went to Russia and to China first since they are great nuclear powers; and I said I would like you to send two to three students. I want them to be under 25. I want them to be university graduates.

I want them to be leaders in their communities, and I do not want KGB; and if you will provide them, I will get them from wherever they are, Beijing or Moscow, to Notre Dame; I will provide them with an education in peace studies, in every aspect of peace studies, for a year leading to a master's degree. Then I will guarantee you they will go back home. They will not stay in South Bend, Indiana.

For the past 4 years, we have had students from about 16 different countries around the world, not just the great nuclear powers of Europe and Asia, but also places like South Africa, and Chile, and Mexico, and Nigeria, and Kenya, and Israel, and Palestine. We have had students from India and Japan, from Hungary and Czechoslovakia.

These students have come here and lived together and learned how to accommodate to each other's culture and language and religion, or the lack of it. They have spent a wonderful year of living in what we call the peace house on campus. They have studied together the complexity of peace and they have just finished, this year's class, writing more than a 100-page consensus paper on two points: what kind of world do we want to live in, and we have 50 years of life yet; and secondly what do we have to create this kind of world.

It is a wonderful paper. I just finished reading it a few nights ago, and I really think it showed that this effort to become more international, both in what we give and in what we learn, pays off in the long run. You are going to hear from these young people. Some of them are going to be running their country someday, and they are going to be remembering what they learned here in South Bend, Indiana.

Chairman ROEMER. Thank you, Father. With that, I would like to thank you both for your correspondence with me and talking to you on the phone about the Global Education Act. We will be working with the committee and my colleagues to try to get some additions to Title VI of the bill on global education and foreign language skills. Again, I thank you for your help on that issue.

In a bi-partisan manner, I would like to turn to Congressman Klug for any questions that he might have.

Mr. KLUG. Just one question, Father. You talked about the fact that college enrollment had quadrupled in the last several decades. Unfortunately, college costs, too, have gone up much more precipitously than inflation. Obviously, we are trying to figure out what we can do on this end to get more money to you. Tell me what your colleagues can do at universities to hold down cost and your sense of why those costs have risen so quickly.

Rev. HESBURGH. Several things. One, I think if you look at any really good university and get the actual cost to educate each one of those students, you will find that even charging as much tuition as we do here at the university, which is probably four times what they charge at a public university, we do not begin to cover more than 60 to 70 percent of the cost at best.

Now, I suppose there are ways of cutting down and being more economical, but having been involved in this all my life, I have to say that education, per se, is not a very economical endeavor. In other words, to do it right costs a lot of money. To do it better than others cost more money than others are putting out. To do it superbly, as you might see at a school like Oxford or Cambridge in England—they are two flagships in education—the cost is beyond what we could possibly pay in this country, where it is one on one, not twelve on one or ten on one, as most of our student ratios are, sometimes as high as twenty on one.

So I would have to say that I have thought long and hard, Mr. Congressman, on your question. What we might do—I think one thing we have to do is to be sure we do not get bloated in administration. All administration, I am sure you have noted in your organizations, tends to multiply.

I can say there are things that when I began here had one person doing them now have 12 persons doing them. I am sure they are doing a much better job and a more complete job, but I would only say one thing. Do not economize on the very heart of education, which is the faculty, the library, the laboratories, the time spent with students actually, the time spent to keep growing yourself so you are not teaching the same class knowledge you were 20 years ago, but you grow each year in knowledge of your subject and in the excellence of what you are teaching.

I think in that area, the actual people doing the education, it is very, very hard to economize because their bills go up and you have to stay with them. On the other hand, I would guess that we might get away with a few less cars and trucks around here. We might get away with a few less people in administration. I have tried to practice that myself because in all the time I was president, I got along with one secretary. Of course, she was a genius. On a few occasions, I had an assistant, but that was mainly as a training function. I did not have one because I needed one or particularly wanted one.

So I would have to say that we can economize if we take things on the fringes of education. But in the actual education, itself, when books cost 10 times what they did when I was buying them years ago; when computers, brand new—we did not have a single computer when I began. Today, our computer bill over the last couple of years has been almost $30 million because we have had to put in a whole system.

Computers, when the system is up and running, will cost more than the library. The library, when I began, was a couple of hundred thousand books, and now it is over two million and costs over $7 million a year to operate. Computers are going to cost more than that, and computers did not even exist then. I am glad they exist now. We can simplify a lot of the problems you are discussing today if we would put them on a computer.

I love to think of a computer with a simple button on it, and you press that button and you get the names of all the schools whose students have made loans from the government and paid them back with a default of something like two or three percent, at most; and you just say well, that is a problem we do not have. Those schools are just going to get the money, bingo, without a lot of fuss

and feathers because obviously we are going to get it back. You would work very hard to get on that list and to stay on that list, I think, if you could eliminate all of that paper work.

But you asked a good question, and I have to admit a certain frustration in saying that despite a lot of efforts to keep lean, costs do go up everywhere on everything, and education is a very costly business. But I think if you look at everything, that is pretty costly, too.

If we come to a point, which we are gradually getting to if you look at our inner cities, where one-half of our working force is not only unemployed, but unemployable because they are either functionally illiterate, or they cannot do math and science, or being uneducated after many years in schools, in terrible schools, they have to somehow walk out and try to get a job in the most technical of all societies that history has known, and they do not have the means to do that, the things that are done in a technical society on any job, then I think you have really got a problem for America. Ignorance is a much tougher problem to cope with than educated people.

Chairman ROEMER. Thank you, Father. Congressman Andrews?

Mr. ANDREWS. Thank you, Mr. Chairman. Father, thank you for giving us some of your time this morning. It is a day I have been looking forward to for awhile, and I am certainly not disappointed in any way with what you have had to say.

Both your remarks this morning and your life's work have made a compelling point that you reiterated this morning, which is that one of the sort of core promises in this society is that if you work hard and put your effort and energy into your education, you can go as high as your ability will take you. I suppose that is what this reauthorization process is about fundamentally, as to how we transform that promise into a practical policy reality.

What is the most practical thing that you think that this law could do or stop doing that would enable that promise to be more accessible to more people? What is the most practical change that we could make that would build on the strength of the act or eliminate a weakness of the act to make that promise fulfilled?

Rev. HESBURGH. I think probably if I could put it in one word, it would be simplicity. But I would be forced, I think, to add another word, integrity. By simplicity, I simply mean that the act, if I understand it, is to do what I told Mr. Nixon years ago we should do in this richest of all countries on earth, to say to any young person, man or woman, Black or White, Christian, Jew, whatever, to say we know you have limited family resources.

You may have no family resources, but no young American who has got enough gumption to work hard in grammar school, to work hard in high school, to get into a good university, whether it is Harvard, or Stanford, or here, or anywhere else, or Indiana——

Mr. ANDREWS. Bucknell.

Rev. HESBURGH. [continuing] or Purdue, or Bucknell, or Wisconsin, let us say. Let us say that if you can get in somehow, this richest of all countries on earth will allow you to get in and you will not have to sit around for months waiting for the payments.

But we are going to say one thing, that if you do not pay back the loans we give you; if you do not work, as well, and make part of

your program work study; if you do not save a little money as you are growing up, realizing this is going to be an enormous cost and you ought to contribute to it personally, as well as doing good work, you ought to have some money like mowing lawns, delivering papers, or whatever kids do today to get a little money—if you do not do that, you are jeopardizing the whole dream of America.

But simplicity would really mean that if you can get into a good school, you will get the means of getting there, and how can you do that as simply as possible. That, I think, is the first.

The second thing is that the person being helped does not feel it is a simple handout, that he or she has to put in something, that he and she have to somehow mortgage their future by borrowing, that he and she have to work while they are going to school. I think if you look into our lives, all of us did that, and it is possible to do it.

I think the worst thing would be to look on this as a simple handout or a pork barrel, or whatever you want to call it. The best thing would be to say if you work hard to be a good, young American and you know the debt involved in getting a good education, to go as high you can in getting that education, we are going to help you get it; but by golly, you are going to have to put in something, your family is going to have to put in something, your local community may have to put in something, the school that is educating you is probably only recovering 70 percent of your cost, they have to put in something. That is why they have endowments and other outside help.

But if everybody works as simply as possible to do what the law means to do, is to get as many people educated as well as we can all across the land; and too, that we do that with integrity. If there are people that are just doing it to pick up loose cash that is available through a Federal program, I think they ought to be excised immediately because that is not what the integrity of this program requires.

Mr. ANDREWS. I appreciate that. Those are values I hope would be reintroduced to a lot of our institutions, not simply our education process. Thank you very much.

Chairman ROEMER. Father, thank you very much. If you have anything further to add to your testimony we certainly welcome it.

Rev. HESBURGH. Mr. Congressman, I just want to add that like your mother sitting here, I am very proud of you because you not only have a good degree from here, you have a doctor's degree from here, which is the highest atmospherics of all. We are very pleased that you are taking whatever we put into getting you this doctorate. I know you put in a great deal yourself, and your family, working along the way. But we are proud that what you learned here is now becoming operative for your work in the Congress. We applaud that, and we even pray for you. Thank you very much.

Chairman ROEMER. Thank you, Father, for everything, and God speed on your journey.

Rev. HESBURGH. Thank you, gentlemen.

Chairman ROEMER. Thank you very much. I would like to call the second panel, Higher Education into the 21st Century: the University Perspective to testify before the Education and Labor Committee. Would you please come forward?

I would like to welcome Dr. Daniel Cohen, Chancellor at Indiana University at South Bend; Dr. Norman Bridges, President of Bethel College; Dr. Victor Stoltzfus, President of Goshen College; Sister Virginia Kampwerth, President of Ancilla College; and Dr. Carl Lutz, Chancellor of Indiana Vocational Technical College.

With that, I would just like to reiterate, too, as I have often said, that I get much of my best advice right here at home. I have met with all five of our distinguished guests this morning and appreciate all your comments, your written responses to our letters to you on recommendations on the reauthorization of the Higher Education Act. I welcome your testimony this morning, the entire committee will be reading your testimony in Washington, DC.

Let me just reiterate one point because I want this to be an enjoyable experience for you, as well. If you want to read your testimony, that is fine. We welcome that. If, however, you want to talk about something specific that your school is doing in the community, some creative reform that you would like to focus on, or some new idea that this committee should hear about, please take your 5 to 6 minutes to talk about that particular idea.

Let me guarantee that your written testimony will be entered into the record in its entirety.

With that, we will go with Dr. Daniel Cohen first to lead off.

STATEMENT OF DANIEL COHEN, CHANCELLOR, INDIANA UNIVERSITY, SOUTH BEND, INDIANA

Mr. COHEN. Thank you, Congressman. Congressmen, Mr. Chairman, members of the subcommittee, a warm welcome to the Nation's heartland and to South Bend. I am very grateful for the opportunity to address you today on a few of the many issues facing Congress as you prepare for the reauthorization of the Higher Education Act. I hope my remarks and those of my colleagues and others will provide useful insights into these issues.

As members of the Subcommittee on Postsecondary Education, you are probably acquainted with what has emerged in the 1980s as very significant evolution in the composition of many of our campuses. The student body is changing dramatically. Many students are older and attend college on a part-time basis, usually because they have other important responsibilities, primarily families and jobs. The progress of these students toward college degrees is in smaller increments involving longer stretches of time than the 4 years we once associated with this accomplishment.

In the past, these students constituted a minority of postsecondary enrollments and their needs were not a priority to institutions of higher learning or to governmental support systems for higher education. At Indiana University at South Bend [IUSB] and six other campuses of Indiana University, however, these students have always been the rule rather than the exception.

They have comprised our statistical majority for the past 25 years, and now they have also emerged as what we call the new majority of students within Indiana University as a whole. Moreover, their numbers are growing rapidly on campuses across the Nation, where they are transforming the profile of the so-called typical college student.

I.U.S.B. and similar institutions with a history of service to these students, therefore, have a reliable and very useful perspective, informed by years of experience. We understand these students' needs and we understand what this trend bodes for the future of American higher education.

At IUSB, we have been compelled to stretch our resources to make higher education truly accessible to this new majority, and the experience has educated us on how to ensure their academic entry and advancement.

The pressing obligation we face here at IUSB, an obligation shared with the other campuses of Indiana University and now evident in all of American higher education, is how to serve an ever-more complex and diverse student population, a new mix of students who comprise a representative cross-section of our citizenry, young, old, part time, full time, and from every social and racial background.

The challenge today is to rethink the original premises and assumptions upon which higher education has always been provided in this Nation, assumptions that originally applied to an overwhelming majority of white, middle-class students within a very narrow age group from late adolescence to early adulthood.

These notions, a holdover from a bygone era, still dominate the delivery of higher education today, even though the student population has changed dramatically. The same holds true, understandably, for Federal policies affecting higher education because those policies are shaped by the same longstanding earlier perceptions of who a university is supposed to service and how that mission is best accomplished.

Of particular concern from my vantage point are the Federal policies regulating the funding and disbursement of financial aid to students. These, too, reflect a earlier reality rather than the current situation. Policies for eligibility, disbursement and repayment of financial aid often deny access to part-time students, essentially barring such aid to a growing number of today's student enrollment.

It is important to remember that these students attend part time because with their job and family commitments they have no other choice. An example of how these policies discriminate against the new majority student can be found in the Pell Grant Program. Although the original legislation wisely intended to provide grants to part-time students, all current policy prohibits grants to those enrolled less than half time.

Another example is that of a part-time student with more than one Stafford loan who leaves school for 6 months for financial or family reasons. That student must re-enroll full time in order to defer payment of the loans, effectively discriminating against those who are doing their utmost to fulfill responsibilities in several equally important areas of their lives. I could go on and give more examples, but with limited time, I will leave it to those two.

At IUSB and other similar campuses, almost every one of our students performs a juggling act with studies, work and families; and I never cease to be impressed by their determination and organization. These are the students who comprise the present and the future of American higher education.

While on the subject of financial aid, I would like to take this opportunity to add my wholehearted endorsement of the proposed conversation of the guaranteed student loan program to the direct loan program. With more than 13,000 lenders and 50 or more guarantee agencies, the existing GSL set-up is prohibitively complicated and costly. As Father Ted said earlier, we need to look to simplicity in every way we can.

Also, speaking of loans, I certainly share the perspective that you will hear very often today, I suspect, that our students carry a too heavy burden of loans. It was referred to earlier. If possible, the balance between grants and loans needs redressing. I understand how complicated that is, but I urge you to pay attention to that urgent need.

I also recommend continued and expanded support of FIPSE, the Fund for the Improvement of Postsecondary Education, which for its modest size has an impressive record of success in helping institutions implement innovations in research and academic programs.

In conclusion, in my opinion it is time to recognize the reality of the lives of th emerging new majority of college students and to acknowledge that by deferring income, for example, they are sacrificing a certain standard of living for themselves and their families in order to invest in an education. Commitment of that sort and in light of the rapidly increasing numbers of these students mandates serious re-examination of the tools and resources with which the Federal Government provides for assistance of a college education.

It is also a highly advisable course when you consider the fierce competition this Nation faces in technology, commerce and industry. It is worth re-emphasizing that the ability of the United States to successfully compete in the world marketplace is dependent to a large extent on the vitality of the marketplace of ideas, our educational system.

Providing up-to-date support systems that address the needs of the radically changed character of our student population is simply good business sense and is a vital ingredient toward ensuring the continued strength and adaptability of our system of higher education.

I am confident your efforts to update the Higher Education Act to reflect current and future conditions will be a successful endeavor. I thank you for the opportunity to speak to you about some of the issues under scrutiny. If you have any questions, I would be happy to respond to them at the appropriate time.

[The prepared statement of Daniel Cohen follows:]

TESTIMONY OF CHANCELLOR DANIEL COHEN OF INDIANA UNIVERSITY
BEFORE THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
JULY 26, 1991
SOUTH BEND, INDIANA

Mr. Chairman, members of the subcommittee, a warm welcome to the nation's heartland and to South Bend. I am very grateful for the opportunity to address you today on a few of the many issues facing Congress as you prepare for the reauthorization of the Higher Education act. I hope my remarks and those of my colleagues and others will provide useful insights into these issues.

As members of the subcommittee on postsecondary education, you are probably acquainted with what has emerged in the 1980's as a very significant evolution in the composition of our campuses. The student body is changing dramatically. Many students are older and attend college on a part-time basis, usually because they have other important responsibilities, primarily families and jobs. The progress of these students toward college degrees is in smaller increments involving longer stretches of time than the four years we once associated with this accomplishment.

In the past, these students constituted a minority of postsecondary enrollments, and their needs were not a priority to institutions of higher learning or to governmental support systems for higher education.

At Indiana University at South Bend (IUSB) and six other campuses of Indiana University, however, these students have always been the rule rather than the exception. They have comprised our statistical majority for the past 25 years, and now they have also

46-419 O - 92 - 2

emerged as what we call the New Majority of students within Indiana University as a whole. Moreover, their numbers are growing rapidly on campuses across the nation, where they are transforming the profile of the so-called "typical" college student.

IUSB and similar institutions with a history of service to these students therefore have a reliable and very useful perspective, informed by years of experience. We understand these students' needs, and we understand what this trend bodes for the future of American higher education.

At IUSB, we have been compelled to stretch our resources to make higher education truly accessible to this New Majority, and the experience has educated us on how to ensure their academic entry and advancement.

The pressing obligation we face here at IUSB, an obligation shared with the other campuses of Indiana University and now evident in all of American higher education, is how to serve an ever more complex and diverse student population--a new mix of students who comprise a representative cross-section of our citizenry--young, old, part-time, full-time, and from every social and racial background.

The challenge today is to rethink the original premises and assumptions upon which higher education has always been provided in this nation--assumptions that originally applied to an overwhelming majority of white, middle-class students within a very narrow age group from late adolescence to early adulthoood.

These preconceived notions, a holdover from a bygone era,

still dominate the delivery of higher education today, even though the student population has changed dramatically. And the same holds true, understandably, for federal policies effecting higher education, because those policies are shaped by the same longstanding, now outdated perceptions of who a university is supposed to serve, and how that mission is best accomplished.

Of particular concern, from my vantage point, are the federal policies regulating the funding and disbursement of financial aid to students. These, too, reflect a previous reality rather the current situation. Policies for eligibility, disbursement and repayment of financial aid often deny access to part-time students, essentially barring such aid to a growing number of today's student enrollment. It is important to remember that these students attend part-time because, with their job and family commitments, they have no other choice.

An example of how these policies discriminate against the New Majority student can be found in the Pell grant program. Although the original legislation wisely intended to provide grants to part-time students, current policy prohibits grants to those enrolled less than half-time.

Another example is that of a part-time student with more than one Stafford Loan who leaves school for six months for financial or family reasons. That student must re-enroll full-time in order to defer payment of the loans, effectively discriminating against those who are doing their utmost to fulfill responsibilities in several, equally-important, areas of their lives.

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At IUSB and at other similar campuses almost every one of our students performs a "juggling" act with studies, work and families, and I never cease to be impressed by their determination and organization. These are the students who comprise the present and the future of American higher education.

While on the subject of financial aid, I would like to take this opportunity to add my wholehearted endorsement of the proposed conversion of the guaranteed student loan program to a direct loan program. With more than 13,000 lenders and 50 or more guarantee agencies, the existing GSL setup is prohibitively complicated and costly, with a multiplicity of policies, procedures and paperwork for every student and institution, as well as for the Department of Education.

A direct loan program would simplify this burdensome process by eliminating the separate loan application and the external lenders, enabling students to obtain access to funds on a more direct and timely basis. It would also determine dispensation of funds more on student need than the needs or status of the entities now involved.

I also recommend continued and expanded support of FIPSE, the Fund for the Improvement of Postsecondary Education, which for its modest size has an impressive record of success in helping institutions implement innovations in research and academic programs.

Indiana University supports the proposal of the Midwestern Universities Alliance that FIPSE underwrite special programs in

areas of evolving national need in postsecondary education, and that these areas of allocation be regularly reviewed and revised by Congress. The Alliance proposes that the initial programs support international student exchanges, the evaluation and dissemination of grant-supported projects, and redress of campus problems that impede the academic mission. (Examples: Dropout problems, student alienation, group conflicts and antagonisms).

In conclusion, it is time to recognize the reality of the lives of the emerging New Majority of college students, and to acknowledge that by deferring income, they are sacrificing a certain standard of living for themselves and their families in order to invest in an education. Commitment of that sort, and in light of the rapidly-increasing numbers of these students, mandates serious re-examination of the tools and resources with which the federal government provides for assistance for a college education.

It is also a highly advisable course when you consider the fierce competition this nation faces in technology, commerce and industry. It is worth re-emphasizing that the ability of the United States to successfully compete in the world marketplace is dependent to a large extent on the vitality of the "marketplace of ideas": our educational system.

Providing up-to-date support systems that address the needs of the radically-changed character of our student population is simply good business sense, and is a vital ingredient toward ensuring the continued strength and adapability of our system of higher education.

5

It is a tenet of the financial world that all investments undergo re-evaluation as times and conditions change. Federally-supported financial aid programs are investments in higher education and in national strength. The philosophy and policies guiding these programs are now due this re-evaluation process in light of the wide-reaching new developments I've touched upon today.

I'm confident your efforts to update the Higher Education Act to reflect current and future conditions will be a successful endeavor, and I thank you for the opportunity to speak to you about some of the issues under scrutiny.

If you have any questions, I would be happy to respond to them at this time.

Chairman ROEMER. Thank you very much, Dr. Cohen. We appreciate that. I now recognize Dr. Norman Bridges.

STATEMENT OF NORMAN BRIDGES, PRESIDENT, BETHEL COLLEGE, SOUTH BEND, INDIANA

Mr. BRIDGES. Thank you, Mr. Chairman, Congressmen. In 1956, I was getting ready to graduate from high school, and I was on a high school debate team. At that time, the debate topic was should the Federal Government support American higher education through grants to college and universities. That was a very interesting debate topic.

Mr. KLUG. Were you for or against?

Mr. BRIDGES. Pardon?

Mr. KLUG. Were you for or against?

Mr. BRIDGES. I was on the negative. The affirmative argued that it was an important national resource, our colleges and universities were, and that they needed the financial support of the United States. The negative argued that he who pays the piper calls the tune and that government regulation of higher education was basically unthinkable.

As I have had the experience of going from that high school debate topic to see what has happened over the last 20 or 30 years in American higher education, it has been interesting to have that information. In many ways, both were right. The Federal Government has been immensely helpful to colleges and universities over these past years, but we have also become thoroughly enmeshed with one another. If we have not been married, we have at least been living together for a long time and have many things that we have in common.

I have been asked this morning to testify regarding the reauthorization of the Higher Education Act of 1965. This is a substantial undertaking with many complex issues that often leave both professional educators and politicians befuddled, let alone the general public. Consequently, I will confine my remarks to a few issues that I feel are important to American higher education.

First of all, I would like to say a word about diversity in American education. It is good for us. The variety of educational institutions across our Nation add spice and tang to the American intellectual community. We are all proud of our great public universities and of our system of regional campuses and community and technical colleges. These institutions provide multiple resources and educational access for all of our citizens, but there is also an important place for the independent sector in higher education.

The differences in programming and emphasis, the richness of the cultural, religious, and intellectual backgrounds from which our independent institutions have sprung all provide a sharpening of competition and contrast that benefits us across the educational spectrum.

Indiana is richer because it has a world class university in the University of Notre Dame; because there is a fine Quaker college, Earlham at Richmond; because of an excellent Lutheran institution at Valparaiso. There is a tiny Catholic seminary at St. Meinrads, an inner-city institution at Martin Center University in Indi-

anapolis, a men's college at Wabash and women's colleges at St. Mary's and St. Mary's of the Woods.

Taylor, Huntington, Goshen and Bethel add a variety of church related colleges to our educational mixture. This choice provides strength, stability, and excitement to the higher educational community in our State. It is what has helped to make American higher education the best in the world. It is something that we should treasure.

Then I would like to suggest that many of us in the higher education community are not sure that the government really likes us. The Justice Department has sued the Ivy League schools over their administration of financial aid. The IRS has gone after traditional sources of college income and scholarship. The government has ordered us to report campus crimes to the public and forbidden us to report student grades to parents.

Currently, H.R. 1380 is so structured as to make colleges and universities more vulnerable to litigation from students than we have been before. The general effect of sweeping actions by governmental or accrediting agencies is to homogenize and pasteurize. Every decision leaves the college administration looking over its shoulder for a lawsuit. It encourages colleges to play it safe, to adopt the standard language, to do whatever everyone else is doing. Approved social policy is not always good educational policy.

In the area of financing higher education, I would like to offer two suggestions. The first, you have heard before. It is to simplify. Most parents find the current forms to be difficult and at times obscure. Particularly in minority homes and for first generation college students, the forms are an educational roadblock rather than an educational bridge.

Secondly, I would like to see a greater emphasis on self help. Current formulas for financial aid penalize the student who has been thrifty and saved for college and reward the student who has just gone into debt for a car or a fancy sound system.

Current administration proposals would also narrow the span of loan and work programs available. Surely the best thing we can do for college students needing access to higher education is to provide them with adequate opportunities for access to jobs and for student loans. I am particularly distressed by proposed cutbacks in the college work-study program. If anything, it should be expanded to allow for more student self help.

Finally, I would suggest that colleges and universities which administer multi-million dollar budgets and hundreds of thousands of dollars of Federal grant monies are quite capable of administering the direct loan programs for students. This is what Dr. Cohen has just said. Colleges currently are held responsible for their default rates even though they have no authority to determine which of their students get loans and which do not.

I think almost all of us know that we would make some changes in who got loans if we were administering the program. The direct issuance of loans through institutions of higher education is estimated to save up to $1 billion annually in Federal costs. This is money that could be passed directly to the students without increasing appropriations at all.

Finally, I would suggest that whenever the areas of higher education are discussed, all of higher education that is postsecondary is lumped together. It could very well be that administering the programs for proprietary schools and for colleges and universities on a separate basis and assigning the programs separately could do a great deal to alleviate some of the suspicion that has been aroused for higher education over the past few years.

Thank you, gentlemen.

[The prepared statement of Norman Bridges follows:]

BETHEL COLLEGE

TESTIMONY FOR THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

July 26, 1991

It is my privilege to address the Subcommittee on Postsecondary Education.

I have been asked this morning to testify regarding the reauthorization of the Higher Education Act of 1965. This is a substantial undertaking with many complex issues that often leave both professional educators and politicians befuddled, let alone the general public. Consequently, I will confine my remarks to a few issues that I feel are important to American higher education.

First of all I would like to say a word about diversity in American education. It is good for us! The variety of educational institutions across our nation add spice and tang to the American intellectual community. We are all proud of our great public universities and of our system of regional campuses and community colleges. These institutions provide multiple resources and educational access for all of our citizens.

But there is also an important place for the independent sector in higher education. The differences in programming and emphasis, the richness of the cultural, religious, and

intellectual backgrounds from which our independent institutions have sprung, all provide a sharpening of competition and contrast that benefits us across the educational spectrum.

Indiana is richer because it has a world class university in the University of Notre Dame; because there is a fine Quaker college, Earlham, at Richmond; because of an excellent Lutheran institution at Valparaiso. There is a tiny Catholic seminary at St. Meinrads, an inner-city institution at Martin Center University in Indianapolis, a men's college at Wabash, and women's colleges at St. Mary's and St. Mary's of the Woods. Taylor, Huntington, Goshen, and Bethel add a variety of church-related colleges to our educational mixture. This choice provides strength, stability, and excitement to the higher educational community in our state. It is what has helped to make American higher education the best in the world. It is something we should treasure.

Then I would like to suggest that many of us in the higher education community are not sure that the government really likes us. The Justice Department has sued the Ivy League schools over their administration of financial aid. The IRS has gone after traditional sources of college income. The government has ordered us to report campus crimes to the public and forbidden

us to report grades to parents. Currently, HR1380 is so structured as to make colleges and universities more vulnerable to litigation from students than we have ever been before. The general effect of sweeping actions by governmental or accrediting agencies is to homogenize and pasteurize. Every decision leaves the college administration looking over its shoulder for a lawsuit. It encourages colleges to play it safe, to adopt the standard language, to do what everyone else is doing. Approved social policy is not always good educational policy.

In the area of financing higher education I would like to offer two suggestions: the first is to simplify. Most parents find the current forms to be difficult and at times obscure. Particularly in minority homes and for first generation college students, the forms are an educational roadblock rather than an educational bridge.

Secondly, I would like to see a greater emphasis on self help. Current formulas for financial aid penalize the student who has been thrifty and saved for college, and reward the student who has just gone into debt for a car or a fancy sound system.

Current administration proposals would also narrow the span of loan and work programs available. Surely, the very best thing

we can do for college students needing access to higher education is to provide them with adequate opportunities for access to jobs and for student loans. I am particularly distressed by proposed cutbacks in the college work-study program If anything, it should be expanded to allow for more student self help.

Finally, I would suggest that colleges and universities which administer multi-million dollar budgets and hundreds of thousands of dollars of federal grant monies are quite capable of administering the direct loan programs for students. Colleges currently are held responsible for their default rates even though they have no authority to determine which of their students get loans and which do not.

The direct issuance of loans through institutions of higher education is estimated to save up to one billion dollars annually in federal costs. This is money that could be passed directly to the students without increasing appropriations at all.

It has been my privilege to appear before this committee and offer this testimony.

Respectfully submitted,

Norman V. Bridges
President
Bethel College

Chairman ROEMER. Thank you, Dr. Bridges. Dr. Stoltzfus?

STATEMENT OF VICTOR STOLTZFUS, PRESIDENT, GOSHEN COLLEGE, GOSHEN, INDIANA

Mr. STOLTZFUS. Chairman Roemer and Congressman Andrews and Congressman Klug, it is a joy to be here and participate in this hearing. I have served as president of Goshen College for the past 7 years, and prior to that, I was professor of sociology in public universities in Illinois, Pennsylvania, and Ohio.

The college I represent is a National Carnegie Liberal Arts College I. We attract about a thousand students from some 34 States and 28 foreign countries. We are religiously affiliated with the Mennonite Church, but also serve students from some 25 religious denominations, and through our international students many of the world religions. We are best known for our international education program, in which some 85 percent of our students go abroad for a semester of both study and service, and we choose countries in the developing world.

Today, I am most concerned with Title IV, that part of the Higher Education Act that provides financial aid to students. Last year, Goshen College distributed $2.7 million from Title IV sources in both grants and loans. I am very grateful for that assistance, but that is out of a total aid budget in our small college of $5.9 million. When you add up our institutional resources, the State of Indiana and the Federal program, $5.9 million was distributed at our college.

Our student concerns make us anxious about the increasing proportion of loans to grants which they must assume. Nationally, grants amounted to 80 percent of student aid in the mid-seventies, but they had declined to 48 percent by 1988-89. I might say over 1.8 million of the 2.7 million of Title IV aid to Goshen College was in the form of loans.

My concern for Goshen College makes me anxious about the increasing proportion of our own college funds now needed to help students finance an education. Some of these dollars are really needed to strengthen our academic program. Contributors for our annual operating budget this past year contributed a little over $1.7 million, but we poured $1.2 million of our institutional college monies into making the college affordable through student aid. That is a very high proportion of contributed support.

Now, just a brief historical note: The law which Congress enacted in 1965 immediately widened access to higher education. According to data from the American Council on Education, this new system of grants of and loan guarantees from low income students increased the proportion of low-income college students from 22 percent to 26 percent; so the impact was immediate in widening opportunity.

By 1988, with grants and loan guarantees drying up, the proportion of low-income college students in America, that is the proportion of the total student body in America, fell back below 20 percent. So we are no worse off than when we started in the Higher Education Act.

For the first time in the Nation's history, the proportion of the population attending college has begun to decline. Until the 1990s, each generation of Americans had been better educated than the generation preceding it, and here I quote from Dr. Robert Reich, who teaches political economics at Harvard University.

I might say I recommend his book, The Work of the World, for a tremendous insight into the global nature of the economy and technology and some very fine recommendations on the kind of education that will make us competitive in the world order.

Chairman ROEMER. I read the last book you recommended, Doctor, so I will try to pick up this one, as well.

Mr. STOLTZFUS. I appreciate that. To be more specific at this important time, I urge the committee to consider the following recommendations.

I might say in general, the existing programs are working; but they can be made to work better with some fine tuning. So, therefore, my general recommendation is more adequate funding of the existing programs.

First of all, make the Pell Grant a true entitlement program. Our financial aid people at Goshen College and other colleges indicate that by that we mean do not make it in relationship to other grants, but let it be foundational and a true entitlement not related to the other kind of eligible grants that a student might have. It should be adjusted annually to reflect the consumer price index.

I am very encouraged, Congressman Roemer, by your suggestion that at least it is a matter of debate and suggestion that that might go up to $4,500. In 1986, the maximum Pell was $2,100. The maximum Pell in 1991 was only $2,400, only a $300 increase over all those years.

Next, eliminate the duplication of need analysis formulas. We would say utilize the Pell Grant index to ration limited funds and reject the idea of front loading Pell only during the first 2 years of college. That idea has been tossed around. We certainly do not support that. We think that would be enrollment for attrition after 2 years if they lost the Pell after 2 years.

Another is, fortunately, a money-saving idea: Eliminate the central processor in financial aid. It is really unnecessary with today's technology to transmit data to the central processor, then back to the MDE processor, and then send information to the applicant.

I understand that about 99 percent of the calculations are accepted by the central processor. The Department of Education not only has these regional calculations; then they are checked by the central processor; then back to the regional; then back to the individual college or university. That both wastes time and takes extra money.

Then we would also say provide for an educational savings account similar to an IRA. During these times of constraint on tax dollars, especially, it is important to at least provide a positive incentive for parental planning and savings. Neither the parents nor their students, their young people, are encouraged to save and plan in the current system. They penalize families for saving for college the way it is currently organized.

I thank you for this opportunity to testify, and I am also open at the conclusion for any questions.

[The prepared statement of Victor Stoltzfus follows:]

TESTIMONY OF PRESIDENT VICTOR STOLTZFUS
Goshen College, Goshen, Indiana

Before the Committee on Education and Labor
University of Notre Dame, Notre Dame, Indiana

July 26, 1991

TESTIMONY OF PRESIDENT VICTOR STOLTZFUS
Goshen College, Goshen, Indiana

Before the Committee on Education and Labor
University of Notre Dame, Notre Dame, Indiana

July 26, 1991

Chairman Ford and other members of the Committee on Education and Labor, my name is Victor Stoltzfus. I have served as president of Goshen College for the past seven years. Prior to that time, I served as a professor of sociology in public universities in Ohio, Pennsylvania and Illinois.

It is an honor for me to appear before you today to offer testimony on several issues related to the reauthorization of the Higher Education Act. The college I represent is a national Carnegie liberal arts college I, which attracts about 1000 students from 34 states and 28 foreign countries. It is religiously affiliated with the Mennonite Church and serves students from some 25 religious denominations. It is best known for an international education program in which 85% of our students study and serve abroad in the developing world.

I am most concerned with Title IV, that portion of the Act that provides financial aid to students. Last academic year, Goshen College distributed $2,777,417 from Title IV sources in grants and loans. This is out of a total aid budget of $5,963,140.

Our student concerns make us anxious about the increasing proportion of loans to grants which they must assume. Nationally, grants amounted to 80% of student aid in the mid 70's. They had declined to 48% by 1988-89. (Over $1.8 million of the $2.7 million Title IV aid to Goshen College was loan.)

My concern for Goshen College makes me anxious about the increasing proportion of our own college funds now required to help students finance an education. Some of these dollars are needed to strengthen our academic program.

BRIEF HISTORICAL NOTE:

The law enacted in 1965 immediately widened access to higher education. According to data from the American Council on Education, (quoted by Robert Reich, The Work of the World, 1991), the new system of grants and loan guarantees from low income students increased the portion of low income college students from 22% to 26%. (family incomes at or below the median)

By 1988, with grants and loan guarantees drying up, the proportion of low-income college students in America fell back below 20%.

"For the first time in the nation's history the proportion of the population attending college has begun to decline... Until the 1990's each generation of Americans had been better educated than the generation preceding it". (quoted from Reich who teaches political economics at Harvard U.)

However, as one also responsible for balancing a budget, I am sympathetic with the constraints the committee faces as you work at the task of reauthorization. My suggestions include adjustments that will cost more and some that will cost less.

RECOMMENDATIONS:

At this important time, I urge the committee to consider the following recommendations:

1. In general the existing programs are working and can be made to work better with some fine tuning. Therefore I strongly urge more adequate funding of existing programs.

2. Make the Pell Grant a true entitlement program with adequate funding to provide hope and assurance for low-income students. It should be adjusted annually to reflect the Consumer Price Index.

3. Eliminate the duplication of need analysis formulas. Utilize the Pell Grant Index to ration limited funds and limit Pell to students enrolling half time or more. Reject the idea of frontloading Pell during the first two years of college.

4. Eliminate the Central Processor. It is unnecessary with today's techology to transmit data to a central processor and then back to the MDE processor to send information to the applicant. Allow the MDE processors to produce Pell Grant Indexes thus reducing complexity and saving time and administrative cost.

5. Provide for an Educational Savings Account similar to an IRA. During these times of constraint on tax dollars, it is important to at least provide a positive incentive for parental planning and savings. Current regulations penalize families who save for college.

6. Goshen College is a member of the National Association of Independent Colleges and Universities (NAICU). We fully endorse their five recommendations for changes in Title IV which are attached.

CONCLUSION:

Thank you for this opportunity to testify. I am open to any questions you might have.

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Resolutions Approved by the
NAICU/NIICU Board of Directors
April 19, 1991

Government Relations Committee

I. **NAICU Policy Concerning the Reauthorization of Title IV of the Higher Education Act**

Resolved

NAICU expresses its endorsement of the following recommendations for changes to Title IV of the Higher Education Act as submitted to the House Subcommittee on Postsecondary Education on April 8, 1991, on behalf of twelve higher education associations:

1. Establish a new Pell Grant formula which includes a substantial increase in the maximum award; modify the legislation to prevent the reduction of awards and tie future increases to the Consumer Price Index.

2. Modify the funding formula for the campus-based programs to establish new incentives for persistence toward a degree by students; allow greater flexibility to transfer funds among the programs; and establish a uniform matching requirement for all three programs.

3. Increase loan limits under the Stafford Loan and Supplemental Loans for Students programs.

4. Strengthen program integrity through modifications to the secretary's authority to set appropriate standards for participating institutions, accrediting agencies, and state licensure.

5. Increase current State Student Incentive Grant program authorization and establish new authority to provide federal matching to encourage states to develop or expand early intervention programs for academically at-risk secondary students.

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Chairman ROEMER. Thank you, Doctor, for those ideas, as well. Sister Virginia Kampwerth.

STATEMENT OF SISTER VIRGINIA KAMPWERTH, PRESIDENT, ANCILLA COLLEGE, DONALDSON, INDIANA

Sister KAMPWERTH. Good morning, Mr. Chairman and members of the subcommittee. I am pleased to be here today to offer testimony. I, myself, am a product of accessing the diversity of higher education available in America. I have an associate and a bachelor's degree from small private colleges, a master's from Purdue University, and a doctorate from St. Louis University.

Today, I am going to speak about Ancilla College, which is a small liberal arts community college fully accredited by the North Central Association of Colleges and Secondary Schools. We have a 60-acre campus located about eight miles west of Plymouth, Indiana, in a rural area. We serve very many small towns and rural areas in Marshall and Starke Counties.

Many of our students are the first in their families to attend college. They are recent high school graduates or returning adults, men and women of all ages whose learning skills no longer match the work place. They are learning in a liberal arts core curriculum those skills necessary to be employable, to not only learn to make a living, but to make a meaningful living.

Our enrollment has been steadily increasing with over 600 students these past two semesters. Our curriculum is an education program that provides a solid foundation on which to build core sequences for many four-year degrees. Our students continue on to get bachelor's, master's, and higher educational degrees.

We offer college oriented programs in career fields of business administration, criminal justice, computer science. Upon completion of the two-year programs, students then are awarded associate degrees, either in arts, science, or liberal studies. Approximately 70 percent of our graduates transfer to other colleges and universities to earn the bachelor's degree.

Fifty percent of our students receive Pell grants. Of those 50 percent, half of them fall below the national poverty level. Ancilla College has more independent students who receive Pell grants than dependent students. As an institution, each year we use the maximum amount of allocated funds from the College Work Study Program.

I encourage you to continue to explore ways of further assisting middle-class and lower-class members of society so they can have access to higher education. I speak for the average citizen in the small towns and rural areas of America, where the strong values for the backbone of the home, society, the Nation, and the world are fostered.

I commend this committee for its willingness to be accountable to its constituents and to people responsible for the distribution of higher education, and I thank you for this opportunity to testify today.

[The prepared statement of Sister Virginia Kampwerth follows:]

ANCILLA College

Donaldson, Indiana 46513
219-936-8916

TESTIMONY FOR REAUTHORIZATION OF HIGHER EDUCATION ACT OF 1965

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. I AM PLEASED TO BE HERE TODAY TO OFFER TESTIMONY RELATIVE TO THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965.

MY NAME IS SISTER VIRGINIA KAMPWERTH AND I AM PRESIDENT OF ANCILLA COLLEGE, LOCATED IN DONALDSON, INDIANA. ANCILLA COLLEGE IS A LIBERAL ARTS, COMMUNITY COLLEGE, FULLY ACCREDITED BY THE NORTH CENTRAL ASSOCIATION OF COLLEGES AND SECONDARY SCHOOLS AND BY THE INDIANA STATE DEPARTMENT OF PUBLIC INSTRUCTION. OUR 60 ACRE CAMPUS IS LOCATED EIGHT MILES WEST OF PLYMOUTH IN A RURAL AREA. WE SERVE MAINLY THE GEOGRAPHIC AREAS OF MARSHALL AND STARKE COUNTIES. MANY OF OUR STUDENTS ARE THE FIRST IN THEIR FAMILIES TO ATTEND COLLEGE. OUR ENROLLMENT FOR THE ACADEMIC YEAR OF 1990-1991 AVERAGED 600 STUDENTS FOR THE TWO SEMESTERS. OUR MAY INTERIM HAD 102 STUDENTS AND THE SUMMER SESSION INCLUDED 77 STUDENTS.

WITHIN ANCILLA'S CURRICULUM IS AN EDUCATION PROGRAM THAT PROVIDES A SOLID FOUNDATION ON WHICH TO BUILD COURSE SEQUENCES FOR MANY FOUR-YEAR DEGREES. MOST BACHELOR DEGREE PROGRAMS CONSIST OF ONE-THIRD TO ONE-HALF GENERAL STUDIES. STUDENTS ASPIRING TO FOUR-YEAR DEGREES COMBINE SPECIFIC REQUIRED COURSES WITH ANCILLA'S CORE CURRICULUM TO COMPLETE THE FIRST TWO YEARS OF THEIR COLLEGE EXPERIENCE.

ALSO OFFERED ARE TWO-YEAR ORIENTED PROGRAMS IN SECRETARIAL SCIENCE, BUSINESS ADMINISTRATION, CRIMINAL JUSTICE, AND COMPUTER SCIENCE.

SISTER VIRGINIA KAMPWERTH
ANCILLA COLLEGE
JULY 26, 1991

UPON COMPLETION OF THE TWO-YEAR PROGRAMS, STUDENTS ARE AWARDED ASSOCIATE OF ARTS, ASSOCIATE OF LIBERAL STUDIES OR ASSOCIATE OF SCIENCE DEGREES. APPROXIMATELY 70% OF ANCILLA'S GRADUATES TRANSFER TO OTHER COLLEGES AND UNIVERSITIES WHERE THEY CONTINUE AS JUNIORS. ALL COURSES ARE TRANSFERABLE.

FIFTY PERCENT OF ANCILLA'S STUDENTS RECEIVE PELL GRANTS. HALF OF THE PELL GRANT RECIPIENTS AT ANCILLA COLLEGE FALL BELOW THE NATIONAL POVERTY LEVEL. ANCILLA COLLEGE HAS MORE INDEPENDENT STUDENTS WHO RECEIVE PELL GRANTS THAN DEPENDENT STUDENTS.

AS AN INSTITUTION, ANCILLA COLLEGE USES THE MAXIMUM AMOUNT OF ALLOCATED FUNDS FROM THE COLLEGE WORK STUDY PROGRAM EACH YEAR.

I ENCOURAGE YOU TO EXPLORE WAYS TO FURTHER ASSISTANCE TO MIDDLE CLASS AND LOW INCOME MEMBERS OF SOCIETY SO THEY CAN ACCESS HIGHER EDUCATION.

THIS CONCLUDES MY TESTIMONY, MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. I THANK YOU FOR THE OPPORTUNITY TO TESTIFY, AND I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Chairman ROEMER. Well said, Sister Kampwerth. Dr. Lutz.

STATEMENT OF CARL F. LUTZ, CHANCELLOR, INDIANA VOCATIONAL TECHNICAL COLLEGE, SOUTH BEND, INDIANA

Mr. LUTZ. Mr. Chairman and colleagues, earlier this morning Father Hesburgh referred to the tremendous growth in higher education enrollments. If you take a look at the record, that growth in this country occurred primarily at community colleges. Community colleges enroll now more than 50 percent of the entrants into higher education. While these colleges may live in the shadows of four-year institutions, our vision is not diminished in the service of individuals seeking a higher education.

Much has been written on changes to the Higher Education Act and most recommendations have focused on student financial aid. Indeed, changes should occur to insure that Federal funds allocated to provide and expand access to postsecondary education for needy students accomplish this objective.

Notwithstanding this noble goal, we must always ask the question: access to what? I am afraid we focus too much of our attention on opening the door and not enough on what takes place inside. Concerning student financial aid, I would like to mention only two of several changes included in my written testimony.

First, institutions should be prohibited from participating in federally funded financial aid programs if commissions or bonuses are paid for enrolling students. The financial incentives to enroll students greatly enhance unethical practices by luring students into educational programs of questionable value or courses of study ill suited for the individual.

Secondly, Pell grants: I would say the college that I am associated with is the third largest college in Indiana, enrolling around 30,000 students. This year the college decided not to increase tuition, possibly the only institution in the country. We are highly concerned about those students that do not qualify for Federal aid. We serve the working population, the middle class.

I think Pell grants, you ought to look at Pell grants and maybe those awards, the maximum should be reduced by an amount directly proportional to the difference between an institution's tuition increase and the CPI increase. I am saying this because there are students out there that must pay their own way. Tuition increases very well might not be able to be handled by those students.

I would like now to return to general educational issues. Educational institutions need to be more accountable, and strong efforts made to restore public confidence in them. Public confidence in educational establishment has eroded most noticeably at the precollegiate levels; but evidence is mounting that postsecondary education is not what it used to be. Standards are being lowered.

Of the several initiatives I have documented, I would like to mention a few which would go a long way toward restoring public confidence in postsecondary education.

(1) Higher standards for accreditation for all institutions and State licensing requirements for proprietary institutions should be strengthened.

(2) Admissions standards for baccalaureate granting colleges and universities should be raised. Indeed, California, took such action. The quest for growth has led to lower and/or selective admission standards with concomitant implementation of remedial or basic skills programs.

States have established community and two-year technical colleges as institutions with a component of their mission being to serve under-prepared students. Federal programs should reinforce State policies and provide disincentives for baccalaureate granting institutions to serve under-prepared students and incentives for community colleges and technical colleges to serve that purpose.

Interestingly, Albert Shanker, the president of the American Federation of Teachers, most recently has introduced a concept to make students work harder in grades K–12. He states that the lowering of university academic standards has, in turn, lowered high school standards, requiring students to work less hard. Reversing this pattern, I think, is in order.

(3) Institutions should be encouraged to place a high priority on teaching functions. Incentives should be created to place outstanding teachers in the classroom, especially at the freshman and sophomore levels.

In addition, community colleges rely on a substantial core of part-time instructors drawn from the professions. They bring currency and relevance to the subject matter. federally supported programs should be provided to develop their teaching effectiveness.

(4) Postsecondary educational institutions should develop partnerships, particularly with school systems and businesses. For example, Ivy Tech, as we are known in the State, the local campus in South Bend has developed a highly successful program in conjunction with the schools, the State Employment and Training Office, and a local organization called the Community Education Round Table.

The program targets at-risk ninth and tenth grade students who attend a combined computer and career counseling class at the college with their parents. Both child and parent are students at the same level in the subject matter. This provides quality time together where the parent may assist the child, or the child very well might be the tutor for the parent.

It has resulted in a study time for parent and child together at home, and for several parents, a new outlook concerning their own potential which resulted in enrolling in the college.

(5) Greater coordination should take place between Federal agencies administering postsecondary programs. For example, this current year the guidelines for the distribution of the Carl D. Perkins Vocational Education Act for instructional equipment and basic skills training are based on Pell Grant activity. In previous years, it was based on all students that needed those services.

As a result of this change in guidelines this year, many in need of this service will be ineligible. For example, recently unemployed workers do not qualify for Pell Grants, probably because of their previous 12-month income and assets, will not be eligible for basic skills education. On the other hand, we have many Pell Grant recipients not in need of basic skills services.

The intent of the Perkins Act is to strengthen vocational and technical education and has provided funds for the purchase of instructional equipment. To tie the needs for instruction equipment for all educational programs at a college to some measure of Pell Grant activity is ludicrous and produces a great inequity among the campuses.

How will institutions respond to this kind of predicament? By aggressively marketing Pell Grant and GSL loan packages and thereby increasing their funding under the Perkins Act. This will undoubtedly increase colleges' eventual loan default rates, a matter that causes great concern to me, and it should to you. Thank you.

[The prepared statement of Carl F. Lutz follows:]

STATEMENT

to the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

U. S. HOUSE OF REPRESENTATIVES

July 26, 1991

by

Carl F. Lutz
Vice President/Chancellor

Indiana Vocational Technical College
South Bend Indiana

Mr. Chairman and Members of the Subcommittee:

I am Carl F. Lutz, a Vice President of the statewide Indiana Vocational Technical College and Chancellor of the regional campuses in ten counties located in the northcentral part of the state. I appreciate being invited to appear before you to give testimony on the reauthorization of the Higher Education Act.

Much has been written on suggested changes to the Act and most recommendations have focused on student financial aid. Indeed, changes should occur to insure that federal funds allocated to provide and expand access to postsecondary education for needy students accomplish this objective. Notwithstanding this noble goal, we must always ask the question: "Access to what?" I'm afraid we've focused too much of our attention on opening the door and not enough on what takes place inside. There is merit in shaping up the house before the guests become disillusioned.

Allow me to briefly comment on student financial aid programs covered under Title IV of the Act before I return to educational issues.

The three types of federally funded student financial aid programs--grants, loans and employment--have served this nation well for needy students. It has become increasingly clear that the allowable limits on amounts of the Pell grants and the ratio of loans to grants to meet the educational costs have placed

students in an untenable position. Either they forego the opportunity for further education or they assume a debt burden which is excessive for many.

Title IV student financial aid programs should be revised to incorporate the following changes:

1. The Pell Grant maximum award should be increased and annual increases should occur to compensate for cost of living (CPI) increases.

2. The Pell Grant formula needs analysis and the application process should be simplified.

3. The Department of Education's regulatory process should be revised to differentiate among the various types of postsecondary institutions.

4. Institutions should be prohibited from participating in federally funded financial aid programs if commissions or bonuses are paid for enrolling students. The financial incentives to enroll students greatly enhance unethical practices by luring students into educational programs of questionable value or courses of study ill suited for the individual. Additionally, students may obligate themselves to loan repayments unwittingly under hard sale techniques.

5. Reduce the Pell Grant award by an amount directly proportional to the difference between an institution's tuition increase and the CPI increase. Institutions should be allowed to include only inflationary increases in operation expenditures in the cost of attendance calculation for student financial needs assessment.

6. More flexibility should be provided to the student in the repayment of loans.

7. A graduated program of loans and grants should be developed as the student progresses toward a degree. The initial year should be heavily weighted toward grants and decrease as the student progresses toward the degree. The potential for repaying a loan increases as additional education provides greater potential for employment and earning power.

8. Financial instiutions making loans under the GSL program should share some of the responsibility for bad loans. Greater assessment of the risks should be made by lending institutions.

9. Financial aid to part-time students needs to be expanded. As the nation attempts to encourage education at all educational levels, assistance must be

provided to those forced into part-time study but without adequate discretionary income to finance their education.

I would like now to return to general educational issues.

1. Educational institutions need to be made more accountable and strong efforts made to restore public confidence in them. Public confidence in the educational establishment has eroded, most notably at the pre-collegiate levels. Evidence is mounting that postsecondary education is not what it used to be--standards are being lowered.

   The following initiatives would go a long way toward restoring public confidence in postsecondary education.

   a. Institution accountability in areas of student financial aid and admissions should be strengthened.

   b. Higher standards for accreditation for all institutions and state licensing requirements for proprietary institutions should be strengthened. State licensing primarily focuses on financial

stability and not on issues of educational quality.

c. Admissions standards for baccalaureate granting colleges and universities should be raised. The quest for growth and cultural diversity has led to lower and/or selective admission standards with concommitant implementation of remedial or basic skills programs. States have established community and two year technical colleges as institutions with a component of their mission being to serve under-prepared students. Federal programs should reinforce state policies and provide disincentives for baccalaureate granting institutions to serve under-prepared students and incentives for community and technical colleges to serve that purpose. Universities should be about the business of postsecondary education and not precollegiate education.

Albert Shanker, the President of the American Federation of Teachers, has introduced an interesting concept to make students work harder in K-12 grades. He states that the lowering of university academic standards has in turn lowered high school standards, requiring students to work less hard. Reversing this pattern would make

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students work harder in high schools and arrive at the university better prepared. He proposed federal grants and loans be tied to university admissions standards set to match world class expectations. Student financial aid for individuals in addition to need, should take into account their degree of preparedness in relation to the admission standards of the university. Now that's an incentive system! It would be a strong impetus for students and schools to improve and would lead to a restoration of public confidence in all levels of education.

d. Institutions should be encouraged to place a high priority on the teaching function. Incentives should be created to place outstanding teachers in classrooms, especially at the freshman and sophomore levels. Graduate teaching assistants are best used as assistants--a requirement for all teaching assistants should be good command of the English language with an ability to communicate well.

Community colleges rely on a substantial corps of part-time instructors drawn from the professions. They bring currency and relevance to the subject

matter. Federally supported programs should be provided to develop their teaching effectiveness.

2. Postsecondary educational institutions should develop partnerships particularly with school systems and businesses.

Indiana, under the leadership of the Indiana Commission for Higher Education, has developed an outstanding early intervention program for precollegiate schools. The program focuses on assisting students in making choices, such as preparing themselves for college and/or the world of work.

Ivy Tech in South Bend has developed a highly successful program in conjunction with the schools, the State Employment and Training Office and a local organization called the Community Education Round Table. The program targets at-risk 9th and 10th grade students who attend a combined computer-career counseling class at the college with their parents. Both child and parent are students at the same level of the subject matter. This provides quality time together where the parent may assist the child or the child very well may be the tutor for the parent. It has resulted in a study time for parent and child together at home and, for several parents, a new

outlook concerning their own potential which resulted enrolling at the college.

3. Cooperative education should be expanded.

4. The use of instructional technologies should be encouraged, including expanding the use of telecommunications for the distant learner.

5. Greater coordination should take place between federal agencies administering postsecondary programs. For example, for this current year, the guidelines for the distribution of funds under the Carl D. Perkins Vocational Education Act for the instructional equipment and for basic skills training are based on Pell grant activity. In previous years it was based on all students needing such services. As a result of the change in guidelines this year, recently unemployed workers probably will not qualify for Pell grants because of their previous twelve month income and assets but they are in need of basic skills education. On the other hand, many Pell grant receipients are not in need of basic skills services.

The intent of the Perkins Act is to strengthen vocational and technical training and it has provided funds for the purchase of instructional equipment. To

tie the needs for instructional equipment for all educational programs at a college to some measure of Pell Grant activity is ludicrous and produces great inequities among campuses.

To personalize the importance of this matter, the current guidelines have produced a 37% decrease ($121,095) in funding of the Ivy Tech South Bend campus and yet we expect the demand for the services and equipment replacement needs to increase.

How will institutions respond to this kind of predicament? By aggressively marketing Pell Grant/GSL packages will increase their funding under the Perkins Act. This will probably increase the colleges eventual loan default rate--a matter that causes great concern to me and it should to you.

6. Business should be given incentives (e.g., tax benefits) to encourage their employees to improve themselves through education and training. If we are to improve our competitive position in the world and remain as a strong, free and open country, a knowledgeable work force is an essential ingredient.

Chairman ROEMER. Thank you very much. I would like to thank all of you for your insights and for coming to testify before the committee this morning. I would like to follow up on the point that Carl made that we need to be concerned not only with what is happening inside the doors of higher education, but inside the doors of high schools and primary schools too.

Recently, a report entitled "Higher Education and School Reform-Creating the Partnerships" came out. All of you are welcome to answer this question. What should we be doing in your institutions to improve the quality of education; to work in real, not just symbolic, partnerships with our high schools to improve the students who are eventually going to walk through those doors?

This report focused on a variety of things from exposing students to the campuses at earlier ages, to exchanges of faculty and equipment, and working with the high schools to report back to the school on how well that student is doing at a particular college.

Those are ideas that were recommended by a panel. What recommendations would you have along those lines for establishing real partnerships with our communities, with businesses, and public institutions to improve schools across the board?

Mr. COHEN. I think all of us are involved in that kind of activity in one way or another. I know we are at Indiana University of South Bend, and I know for certain that my colleague at Ivy Tech is. The other institutions I know less about in this regard.

Chairman ROEMER. I think you all are. We just want to hear about your specific proposals which are working, so that we can take them back to Washington.

Mr. COHEN. Of course. I think what comes to the top of my mind most quickly is for you to consider helping provide some incentives for this kind of activity. The vehicle that I know about most quickly is FIPSE that I referred to, Fund for Improvement of Postsecondary Education. It would be a vehicle within this act to help provide some monies for institutions that are serious about partnerships.

I think for many, many years, as you know, higher education has been divorced from secondary and primary education in an unfortunate division, which now, in the main, is being overcome. People see that as a seamless kind of education. The phrase we use these days instead of K-12 is K-16, and it makes a great deal of sense.

Particularly Dr. Lutz, and myself, and others in this county and other counties, as well, are just forming an educational initiative which gathers together all of education, school, and higher vocational and technical business, and interestingly enough, social service agencies, as well, in a community-wide effort to coordinate and provide a liaison for all the many activities that are going on within this county to help schools become better.

Such organizations, such partnerships, such joint ventures, I think are another way in which you can encourage this activity in a more global sense, which I think is more effective than individual institutions working with individual institutions.

Dr. Lutz has been very active in an earlier effort which was very valuable, the Community Education Roundtable, which you may know about. This is perhaps an evolution of that original concept in a broader way, and we would solicit your help.

Chairman ROEMER. We will be happy to help you out on that. Again, I salute and commend all your work together in the community to establish that roundtable. It has been very successful. I have attended many of the functions at the satellite schools. Let me know what I can continue to do to help.

Sister Virginia?

Sister KAMPWERTH. To give one college response to a larger description that some of my colleagues here at the table are discussing where a partnership really does work one on one between a local college and an individual high school corporation or a corporation within an area: We have established a partnership with a local high school where someone from the college goes to the high school once a week.

The goals of it are to increase the high school completion rate, as well as the college-going rate; to assist with filling out all of the financial aid information; just to make attending college a normal sequence of events, that this is not just the exception, that this is considered high accessibility for everyone and possible for everyone to attain; then which courses do you need to choose to be successful to complete your high school and go on to a college degree.

Those kinds of individual partnerships are very important. They are costly to institutions, but they also are the answer to the individual people having access. Also for people who, for whatever reason their academic background did not allow them at the time they graduated from high school, to start college. These people are 40 or 45 years old. With the average age of many people reaching 100, these people have 45 or 50 years of productive lives ahead of them.

So our approach is whatever those reasons were, let us take a look at them now and make progress. So we have academic skill centers, and all colleges and universities have programs where it is kind of intensive care where you make very quick progress in a short period of time and then move along to receive degrees and to have marketable skills that you need in our very highly complex society.

Chairman ROEMER. Sister, do you agree with Dr. Cohen that some incentives should be out there? If so, who should provide those incentives?

Sister KAMPWERTH. The incentives, I think, are the community's responsibility. I think what we are speaking to is it involves, then, the individual parents and families, as well so that every student and every family, every business and organization in that local community is involved. It is not just then the responsibility of one part of society or of one institution, but it is a sharing. It is this whole roundtable approach; but it is also then the economic responsibility of everyone, not just to say well, you provide the funds for it and we will do the academic part of it.

We are investing our own financial resources in it, too. The school corporations are investing their financial resources in it, and we are asking the private sector of businesses or of service organizations to also contribute.

Chairman ROEMER. Thank you.

Mr. STOLTZFUS. I would like to add that I think the kinds of things that work best that come out of my experience are, unfortu-

nately, things that really require a good deal of personal touch and individual effort. But increasingly, we are attracting more prospective students to actually come and make a campus visit.

We have busses that start in Pennsylvania to pick up students along the way and come and spend a day. That involves direct contact with professors, so it is time intensive. But then they can dispel some of their erroneous ideas about a college campus, be inspired, see the place at its best.

By the same token, we also send our professors out to visit high schools. Sometimes with their flair in terms of what science can do, even some of the gimmicks that seem almost to be entertaining, they can still nonetheless get the prospect of thinking of areas like music, science, as possibilities to study further and invest a career.

So I think moving it down to maybe the sophomore or junior year of high school for those contacts to take place and have it be interesting and personal, whether we are going out or whether students are coming to our campus. That is the kind of partnership that works well for us.

Mr. BRIDGES. To change the topic just slightly, I would like to say that one of the things that concerns me is that often we equate the only successful college experience with earning a degree. There are many successful college experiences that are only a year in length or 2 or 3 years in length. Sometimes those people come back much later in life to our institutions to complete degrees.

But we have both an educational story to tell in this country and also a social story. We have reached deeper into the fabric of society with American education than most societies have. For somebody to come and spend a year on the campus is often very beneficial to them in many, many ways in their lives, whether they complete a degree or not. For us to say that the only successful college experience is one that leads to a degree, I think is often misleading; and we should include that, at least, in our considerations.

Chairman ROEMER. I think that is a good point. One of you stated in your testimony that our institutions of higher learning are, in fact, treasures that should be not only recognized but invested in. That brings me to another question before I recognize my colleagues for questions.

What do we need to do to make sure that you are all able to attract the best and the brightest into the teaching profession? We have Title V of the reauthorization of the Higher Education Act that looks at the teaching profession, in-service training. What recommendations do all of you have? Is that a significant problem for you? Is it something we need to look at very seriously, both in the short term and the long term?

Are there specific areas, such as languages, science and engineering in addition to professional administrators and teachers, for you, Carl? What recommendations do you have along the Title V portion of this act?

Mr. LUTZ. Well, I made reference in my remarks that I think community colleges across the country place a high degree of importance on people in the classroom that are drawn out of professions. In other words, they have practiced the trade that they are applying in the teaching area, full time and part time. We do not

do a very good job in preparing these people to be effective teachers.

Within our own budgetary constraints, it is almost impossible. I think re-instituting some sort of teacher training institute for people to walk in the door. And I would say in higher education across the land, the typical technique is they are given the assignment and the textbook, and the instructor walks in the classroom. We need to do a far better job, and I think incentives along that line could go a long ways in the improvement of teaching in the classroom.

Salaries, of course, you know you can go on and on about that. We, as a technical institution, compete against those people that are working the field. If we are employing a person to teach electronics, we have got to pull them out of a company, industry, where they are involved in that activity. It is a very uncompetitive effort. We have got to sell the institution on other factors other than salary.

Mr. BRIDGES. I think that altruism and idealism are still very much a characteristic of American youth. Something that is enunciated on the national level that talks about teaching as mission and as a contribution to our society will still have a very powerful impact. I think financially, it would be wonderful if student loans could be forgiven on a percentage basis for years of service in the classroom. I think that would be very helpful to people who go there.

The people who go into teaching are most often not motivated simply by financial gain. They have a very strong service ethic, and I think we can appeal to them more strongly by making it an important part of the national purpose that we have great teachers, people who are concerned about students, people who want to uplift society. I think that people will respond to that sort of appeal and that kind of national attention.

Mr. COHEN. One of the major problems in our view—and I am not an expert on Title V, so I will talk in generalities. I apologize for that. I think you could probably hold a whole hearing on that one topic and not exhaust it by any means.

Although we have a fairly large school of education and put out quite a few of the teachers that staff local schools in the region, it has become clear to me that a major problem is that school teachers are just not regarded by our society as a profession. They do not regard themselves as a profession. Teachers of teachers are not regarded very highly in universities on the pecking order of faculty.

The whole system needs to be looked at to find ways, and this is not of help to you in specific matters. I apologize for that, but it not a simple problem. It is not a problem which is going to be much helped by tinkering here and tinkering there in my judgement. It is a closely coupled system. We have to find ways to make teachers be regarded by our society like we regard doctors and lawyers, although some would say that our regard for those is declining.

Chairman ROEMER. Some would say justifiably.

Mr. COHEN. Perhaps. I realize I opened Pandora's box there, and I do not think we should probably continue on that. But I think that there was a very similar situation early in this century in

medical education that was addressed by a report by a prominent physician. Schools of medicine were regarded as inadequate. Medical doctors were not being properly trained. They were not viewed as a profession, and there was a revamping of the whole system.

It would be well worthwhile to go back and look at that historic event and see what happened. Whatever you think about physicians these days, certainly they have succeeded in rising out of that earlier history. I think the only way to solve our public education problems is to travel a similar road in education and not a simple way.

Lynne Cheney, the chairman of the National Humanities, has just put out an excellent book, whose title escapes me, on national testing in other countries which shows the kinds of tests that governmental agencies in France, England, Germany, and Japan, and the European community are asking of their high school graduates.

Now granted, their systems of education are significantly different than ours. Nonetheless, a very popular phrase in this community is I have high standards. Well, we certainly need to raise the standards, but I am not sure people fully realize just how low our standards are relative to other great democracies with whom we compete on the high school level.

So the raising of standards really has to be seen in that prospective. I am not sure that I am advocating necessarily national tests, though I am advocating national standards, part of which might be testing.

Chairman ROEMER. Did you have anything to add or delete to that?

Mr. STOLTZFUS. Well, one thing that we are trying to work at is to cultivate in our teacher education majors that will be going out into the schools is a sensitivity to many different cultures. We expose them deliberately to low-income, many times single-parent families; to families of other racial and ethnic backgrounds; and then, of course, families of other countries, as many of them study and serve abroad. So they get three different perspectives.

I think increasingly excellence in teacher education will be to address that mix-match between the traditional core of teachers that come from upper middle-class or middle-class conventional backgrounds, and then the increasing numbers of Black, Hispanic, or other culturally diverse persons, especially in the urban settings, so finding that kind of empathy and understanding of the persons whom they are teaching. That involves language diversity and cultural diversity, as well.

Chairman ROEMER. Thank you. Dan, for admitting that you do not know much about Title V. I thought you gave as good an answer as we have heard in all of our testimony in Washington on that. You made an interesting point about the physicians too.

Congressman Andrews, would you like to ask a couple of questions?

Mr. ANDREWS. Thank you, Mr. Chairman. First of all, Tim, thank you for assembling such an excellent panel. Really, just about all of the issues we have heard in the Washington hearings has been touched upon from today's testimony.

I find it very interesting that, without any disrespect to the people we have heard from in Washington who generally are re-

sponsible for collating the points of view from all over the country and summarizing them, it is much more interesting to me to hear about it from a local perspective, to hear about these issues from the perspective of someone who is responsible for an institution on a day-to-day basis or who is dealing with people in a classroom or on the campus on a day-to-day basis.

I found the panel to be excellent. I have really at least one question for each person. I will be brief and try to be focused. Sister, I thought that your testimony shattered two myths that kind of pervade thinking in Washington about this question. One is that poverty lives only in the cities, that when we talk about the problem of educating the disadvantaged, we look at the major urban centers and very often overlook the rural areas.

The second is kind of the Pell Grant is a luxury that we would like to sustain and expand, but it is not really a necessity in the education of many students. The statistics you have given us about your student body and the absolute imperative of expanding Pell Grants, I find interesting.

I wonder if you could react to this: In effect, the administration has proposed that Pell Grant eligibility be eliminated for people with a family income in excess of $10,000 a year. In effect, that is the proposal. I am oversimplifying it some, but I wonder what impact it would have on your institution and your students if that proposal were to be enacted.

Sister KAMPWERTH. I think it would affect a great number of the students who rely on the Federal Pell Grant as their major source. And what happens for our students is before any kind of other financial aid becomes available through the State or through any other sources, it is always to fill out all of those application forms for the Federal Pell Grants because then they also will get the good information that we need for other kinds.

There are people who always fall between the cracks because they own some housing or they have some property, and they disqualify then as a result of that. So if a ceiling is set for an earning of $10,000 a year, that is very close to a national poverty level as far as any kind of family responsibilities, or housing, or food allotments.

So it would have a very negative effect on small, struggling, single-parent families of whom we have many students accessing higher education or trying to make a living for themselves and to raise their children. It would have a very negative effect.

Mr. ANDREWS. I appreciate that, and I would suspect that in the guise of saving money over time, we produce exactly the opposite result; that many of the individuals that become taxpayers or entrepreneurs and productive members of the economy would be trapped in the cycle of public assistance and dependency.

Sister KAMPWERTH. For the rest of their lives.

Mr. ANDREWS. Yes, that is right.

Sister KAMPWERTH. Whereas, here is a chance and an opportunity to break that cycle and give an example to others that there are other ways of living. We hear students say that. This is not realistic, and we will have students say but it is; it is possible, and you can do this another way.

Mr. ANDREWS. Thank you. Dr. Lutz, you touched on an issue that really picked up on one of Congressman Klug's questions earlier about the importance of cost control and whether or not there is going to be some system to try to cap the spiral of educational costs.

What I have read and heard about this suggests that there are two schools of thought on this. One is that the market competition that exists should be permitted to continue and that generally, there will be competitive pressures to keep tuition down and regulate tuition if we permit that to occur, and I am oversimplifying.

The other point of view or school of thought is that there is some kind of regulatory initiative needed. Your proposal under point five on page three of your testimony would put in the second camp that would say that there ought to be some kind of regulatory initiative. I wonder, though, if reducing the Pell Grant award to reflect—if I understand your proposal, if the tuition increase outpaces the CPI increase, that there will be an offsetting proportional reduction in the Pell Grant award.

Would that not have the effect of perhaps diluting quality of education at the institution and driving students out of the institution? Would that not have the effect of extracting the penalty upon the student rather than exerting downward pressure on the institution?

Mr. LUTZ. No, I do not think so. In other words, if the net cost to the student remains the same—and under that proposal it would—it would not have any effect in terms of access to higher education. I guess I come from a school of thought that says that colleges and universities should not live outside of the constraints placed on society in general.

If individuals' incomes do not keep up with inflation or if business and industry are constrained by certain factors, I think it is good and healthy once in awhile to take a look at your own operation and the constraints of costs. As Father Hesburgh said earlier, I think there are some areas, and as long as costs can be passed through to the Federal Government, that exercise sometimes is not as diligently pursued as it should be.

Mr. ANDREWS. I appreciate your comments and frankly, it is a debate that I think is going to broaden as time goes on because of the skyrocketing costs of tuition.

Dr. Stoltzfus, on one of the recommendations that you referenced from NAICU, recommendation five advocates increasing current State student incentive grant program authorization, advocates the increased Federal assistance to the State incentive program that encourages States to provide more financial aid.

One of the administration's proposals in its reauthorization proposals is that program be eliminated, the State incentive program be eliminated and consolidated into a block grant that would deal with a number of programs normally associated with TRIO, with the recruitment and assistance to disadvantaged students.

What impact would it have on your institution and other with which you are familiar if the State student incentive grant program were, in fact, eliminated?

Mr. STOLTZFUS. It would be very negative for Goshen College. Many of the persons who are in our student body and the families

that send students to Goshen College are in the middle class. Already I note from other testimony you received in Washington, DC from the NAICU people that just five percent of the Pell Grant recipients in academic year 1988–89 came from families with incomes of more than $30,000.

So already, the Pell is down very low. With this move suggested by the administration, it would further depress the kind of aid and make it less possible for people in the middle class to be able to come to Goshen College.

Mr. ANDREWS. I appreciate that. My understanding—I agree with yours—is that many of the administration's reauthorization proposals turn the student financial aid programs into a welfare program, essentially to focus resources on those who are on public assistance. I agree those who are on public assistance who have the inspiration and desire to get a higher education should absolutely have encouragement to get one. That makes good social policy, good moral policy.

But I think to do that at the expense of the relatively modest amount of aid we give to working families and people who do own something would be a mistake, and I am interested to hear you say that.

Let me conclude by asking Dr. Cohen and Dr. Bridges this question: I am very interested and encouraged by your support for conversion to direct lending in the lending programs. It is an idea I have a great deal of interest in, and I have been working with other members of the subcommittee on advancing similar proposals.

Let me play devil's advocate for a moment, though. Some would argue as politicians, we do that all the time. Let me play devil's advocate for a moment and advance an argument that is made by those who would oppose the conversion to direct lending. When I say conversion, I mean the phase-out of the guaranteed program and the substitution of a program where the government would be the direct lender of a program administered through the institutions where the student would apply on campus. The lender would be the United States government. The borrower would be the student or the family.

One of the arguments that is made is that the interest rate savings that we would achieve through that—that is to say the reduction in costs that would be achieved because the Federal Government can borrow funds at a cost significantly lower than the banks can—would be wiped out because of the inefficiency of administering the new program.

The argument goes that the Department of Education's inability to efficiently administer the program, coupled with the burden placed on the institutions to become administrators of this loan program would create such administrative costs that it would outpace or wipe out the interest rate savings that we would achieve.

Therefore, many people, including the secretary of education for reasons in addition to that one, have opposed the conversion to direct lending. How would you respond to those arguments?

Mr. COHEN. Excuse me for approaching it tangentially, but one of the topics that we have talked about and that we have been asked about, including Father Hesburgh, is the cost of going to school.

Father Hesburgh did not emphasize it, but I will. One of the elements which is justifiable in the increase in tuition—although there are many others that may not be—is the increased administrative costs which have really been imposed upon colleges and universities in large measure because of the complexity of programs.

So the administration of these guaranteed student loan programs, the amount of administrative effort we have to put to those, is not negligible. Therefore, it is not clear to me that, in fact, a direct loan program would increase, at least at the colleges and universities, the administrative costs much more. I cannot really speak to the Department of Education.

Mr. ANDREWS. You are already bearing a lot of that burden anyway.

Mr. COHEN. Absolutely. Furthermore, presumably a wise program—and one has to presume that—would allow the colleges and universities, as Dr. Bridges alluded to earlier, to make some decisions about who gets loans and who does not. Particularly those institutions—and this would require considerable political will, and it might not be available—particularly those institutions, as Father Hesburgh mentioned, that have low default rates—and many of our institutions are among those in this State—ought to be given much more flexibility.

So one could imagine a stratified system which depended upon the default rate and, therefore, did not necessarily eliminate institutions from participating. But the amount of external administration, if you will, or external control would be conditioned by the default rate. Therefore, institutions that are doing a good job or are lucky enough to be located in areas that allow them to do a good job or have the right kind of student body would be given much more freedom and flexibility. Those that are having a difficult time could continued to be watched with all other layers of administration.

Mr. ANDREWS. So if I could just paraphrase, you are saying that your institutional experience that you already have plus your individual institutional initiative that would flow from having this new task would enable you to administer the program efficiently.

Mr. COHEN. We absolutely believe it. I know you believe, too, as well, that the closer you get to the problem in administration, the easier it is to administer things.

Mr. ANDREWS. A lot of people in Washington find that hard to believe.

Mr. COHEN. That is why we are here in Indiana and other States, why you come to talk to us about it.

Mr. ANDREWS. Yes. Dr. Bridges?

Mr. BRIDGES. I concur with what Dr. Cohen has said. We know the borrowers much better than the banks do. We are already doing a lot of the work. It seems to me that I have seen an awful lot of student aid money go for automobiles because the bank did not know the circumstance of the students very well.

I would also say that I think that the current financial aid programs that we operate through the government, we operate quite efficiently. So I do not see a major problem with that. When I look at the literature and the overhead that comes from the guarantee

agencies and from the banks, themselves, it looks to me that there is an awful lot of money that goes into that kind of advertising and overhead.

The guarantee agencies sometimes surprise me at the glossy material they are willing to put out on their quasi-government agency, and it looks like it is a bank report from a very wealthy bank. So I think we can do much better by directing it through the institutions.

Mr. ANDREWS. I appreciate that. Again, Tim, both the questions and the answers and the testimony reaffirm my faith in the value of having these field hearings. Thank you very much for your participation.

Chairman ROEMER. I would just like to say, too, Dr.Bridges, that you and I have talked about this in a variety of different ways. You have some great anecdotal stories to tell from personal experience about the loan problem and what some students have done, burying themselves in debt. Maybe this committee can hear at a different time about some of your personal experiences, which are very compelling for the argument that you make. With that, I will defer to Congressman Klug for any questions that you may have.

Mr. KLUG. Let me follow up on this same line of questioning that I asked your colleague from Notre Dame earlier. Obviously, we are all being asked to help find more money, and I will turn around and ask you to say how can you reduce costs so that money goes further. I am a little bit skeptical that somehow the incremental rise in college costs is hooked to administration of financial aid. What can you do to hold down costs and what do you see as the driving force over the last several decades?

Mr. COHEN. It is hard to answer that specifically. You know as well as we do how diverse American higher education is. For example, my own institution, full-time tuition for a full-time student is only $1,800 a year. Now, we are subsidized by the State, but even if you take the full cost, the full cost multiplied by three, generally the tuition in a public institution in Indiana is about a third of the full cost. That is only $5,400 a year.

If you compare that with tuition at the most expensive private institutions, generally speaking on the east and the west coast, certainly not here in Indiana, you are talking about tuitions of $25,000 or more that only cover 60 or 70 percent of the costs. Now if you separate our graduate from undergraduate education, which I think is crucial here, and we are just talking about undergraduate education, then I think there really is some question as to whether it takes $40,000 a year to provide a superb undergraduate education or not.

We would say in the public sector or perhaps in the private section which is less expensive than the most expensive, then of course it is possible to produce an excellent undergraduate education. I doubt whether any of my colleagues would not argue that their own institution provides an excellent undergraduate education.

Now, part of that, I think, does have to come from market forces. I think obviously, it is true that some people decide that it is worth $24,000 a year in tuition to go to Harvard or whatever institution it is that is charging that amount of money. But that does not mean

that the Federal Government has to provide the same kind of financial aid to students to go to that institution.

It does not necessarily mean that everybody who can go to a very expensive institution ought to be provided with the Federal aid to do so. So I think that therein lies an answer to the question. I certainly would not agree—I am afraid I am going to disagree with my colleague here. I do not think that managing or controlling tuitions is the answer.

I do believe strongly in a market system, but I do not think that one necessarily has to subsidize all portions of that market system equally.

Mr. KLUG. Any comments from anybody else?

Mr. LUTZ. Well, when you take a look at the cost of education and the labor-intensive nature of education, I think it would be a wise decision at the Federal Government level to put more capital money into the instructional process.

You take a look at how much capital is behind instructional technology areas. Institutions are moving in this direction. We can become far more effective and efficient in the delivery of education, and I would highly recommend that one of the titles incorporate assistance along that line.

Mr. KLUG. Sister, what is your perspective on costs?

Sister KAMPWERTH. I believe also that people should be accountable for the money that they receive. I think what is alluded to here, that the costs for students, the tuition costs, which is the purpose of the Higher Education Act and the money that is received, that is for the student to pay tuition and fees. Indeed, that doesn't go to cover all the institutional costs that there are.

So it is difficult for us as administrators, I think, of campuses to disassociate those two. But we believe very sincerely, and we are testifying strongly today that the assistance that students have so they can access higher education should be continued.

I know how complex the other situation is, too, when we talked about the reverence and the dignity of education and of people who are involved in the education profession; the need for that, in the eyes of everyone, to be increased; that the anti-intellectualism that we are experiencing in our country, that it be overcome because good education and values offer solutions for the complex problems of society.

So I want to keep the emphasis on the assistance to students that is possible through the reauthorization of this act.

Mr. KLUG. I understand that, but I understand one of our primary objectives is obviously the lower your costs are and the lower your tuition is, the more money we get out there, the more people we can educate. So I am not in any way attempting to undercut respect for the teaching profession. All I am saying is your costs are going up faster than we can provide the money, and what can we do to narrow the gaps.

Mr. BRIDGES. Congressman Klug, last year I hired a Ph.D. in biochemistry, a Ph.D. in educational administration, and doctor of nursing science. Each one of those persons took an average cut of $15,000 a year to come and teach at my institution. A great deal of our expenditure and our rising costs are involved with the salaries

we have to pay people to come and teach at our institutions, and we are not a high dollar region at all.

This is not the region of the United States where the costs are spiralling. But to go into the marketplace and to hire somebody with experience and with degrees to come and teach at our institutions is a major job. My salary scale is very little different than what is being paid in the local high schools, but I have to get people with far greater experience and training. It is a very difficult undertaking.

Mr. KLUG. In the interest of time, let me pass so we can get to the next panel. Thank you for your answers.

Chairman ROEMER. I would like to thank each one of you for your valuable time here this morning, and for your insights and the cogent nature of your testimony. It is obvious that it took a lot of time to prepare your testimony for our committee. I am very appreciative of your articulate comments.

I am very proud of the unified perspective that each of you has brought to us this morning for better access for improving our schools, for more fairness and equity out there. Please keep in touch with me and the committee so we can follow up on the concerns that you stated so eloquently this morning.

Thank you once again for keeping in touch with me. Thank you very much for the testimony this morning.

Mr. COHEN. Thank you for your time and effort. We really appreciate it.

[Whereupon a short recess was taken.]

Chairman ROEMER. I would like to reconvene the hearing after a very short recess and welcome our next distinguished panel. If I could drawn an analogy between Congress and their staffs, and maybe both Congressman Klug and Congressman Andrews might agree with this, is that oftentimes we are generalists and our staffs are the people that really know intimately and in great detail all the minutiae in the program.

We have got a great staff with us today whom I would like to thank later, including the gentleman on my left who has been through five Reauthorization of Higher Education Acts. We thank Tom Wolanin for all of his expertise and for traveling to South Bend. We also thank Diane Stark, who is sitting out in the front row. Diane deserves a lot of thanks and praise.

We have with us Jo Marie St. Martin. She is not here now, so maybe I will have to thank her later, or Scott, you can tell her.

These are the people who really know the bill. They put it together, do the work on it. In August, Carole Stringer of my staff, who has put in countless hours, not only working hard to set up this hearing this morning, but also working on the reauthorization of the Higher Education Act and doing a fantastic job, will work on putting together a bill. Many people improve education and make it prosper, and this distinguished panel that we have in front of us have very similar roles with university presidents.

We will be very anxious to get your expertise and your recommendations specifically on Title IV. I want to reiterate, too, that your entire testimony will be entered into the record. If there is a particular area that you would like to focus upon, please feel free to do it.

With that, I would like to welcome Joe Russo, the director of financial aid with the University of Notre Dame. I also thank Joe for all of his cooperation and help in working with my staff and with the University of Notre Dame to put the logistics of this hearing together.

I would also like to welcome Ms. Mary Nucciarone in her role with St. Mary's College; Dr. Robert Greenkorn, with Purdue University, our neighbor to the west; and also Mr. Stephen Clinton, who is the president of the Indiana Secondary Market for Education Loans.

With that, I would like to ask Mr. Joe Russo to start off for us. Again, Joe, I know that you have got a great deal of expertise in this area. Feel free to focus on different areas as you see the committee's interest in Title IV. Thank you.

STATEMENT OF JOSEPH A. RUSSO, DIRECTOR OF FINANCIAL AID, UNIVERSITY OF NOTRE DAME, NOTRE DAME, INDIANA

Mr. Russo. Thank you, Mr. Chairman. I am Joe Russo, Director of Financial Aid at the University of Notre Dame. I appreciate the opportunity to testify at this hearing of the subcommittee and this convenient forum which has been provided to gather vital background information as you review with other Members of Congress the important matter of the reauthorization of the Higher Education Act of 1965.

My testimony today will focus on the following topics: simplicity and integrity, planning and saving for college, student loans, regulatory relief, and research in student aid. After reviewing many summaries of testimony provided at previous hearings, let me begin by indicating my strong endorsement of the issues of simplicity and integrity as two of the most critical needs to be addressed by this legislation.

I concur wholeheartedly with those who espouse the need to reduce the complexity of the application process for specified low-income filers; for simplifying the definition of the independent student: for eliminating much of the current complexity of the delivery of student aid, including the gathering of data and documents which the use of modern technology can now more efficiently secure; as well as the need to create one economically sound and understandable methodology to determine family contribution.

Another very important topic repeatedly raised in previous testimony has dealt with the importance of early intervention information programs among our low-income, disadvantaged populations. Certainly, we need to support continued and creative approaches which will serve to encourage students from those families to pursue further education.

However, I feel just as strongly that one of our Nation's most critical needs is to regenerate in American families an old-fashioned desire to plan and save for their children's education as their most important financial priority. While acknowledging at the outset that asking some families to save for their children's education may be an unreasonable expectation due to difficult financial circumstances, there does appear to have been some significant slippage in the way too many families face this issue.

We can all relate to the higher cost of living today versus more than a generation ago. We can also bemoan the rising costs of college education. Some others could point to the unfortunate breakup of the traditional family unit and other socioeconomic ills. Still others may suggest that government, itself, has become the enemy by creating various disincentives, both in Federal student aid legislation, as well as in the income tax laws as they relate to family savings.

Some may even question whether the sacrifice and the investment in education is still worthwhile. We need to re-instill in our families, especially in the parents of our very youngest children, the important reasons why planning and saving for their children's education is so critical; not only to the wellbeing and success of the individual, but also for society as a whole.

Programs for parents that encourage planning and saving should begin with the birth of their children. These efforts can include simple written materials; presentations in prenatal, nursery, and early grade school settings; video tapes made available on television from public libraries and through employers in lunchrooms at parents' work places; and other means.

Topics would include the projected cost of college and the wide price range of opportunities, the many positive reasons for furthering one's education, the advantages of beginning to save at the earliest possible moment in a child's life, and the financial aid opportunities that might be available at the time the child is ready for college.

To really encourage this old-fashioned concept, Congress should consider incorporating a provision in the needs analysis legislation which would reward, not punish, this kind of family sacrifice. Similar provisions need to be considered for Federal tax legislation which would offer incentives to families that plan and save for their children's education.

If we expect our families to adopt as their top financial priority the need to plan and save for their children's college educations, if we as a country truly believe in an educated citizenry as the most viable means to provide for our future, then let us demonstrate it by incorporating these kinds of incentives into our laws.

Another very important topic upon which I would like to comment today is that of student loans. As the director of financial aid at a higher cost, private university which administered more than $22 million in loans last year for thousands of Notre Dame students, I feel my remarks have some basis.

Stafford student loans continue to be the single largest source of student aid at our institution. Over one-third of our students incurred overall borrowing that averaged more than $6,400 in 1990-91, including government, as well as private programs. Yet throughout the long history of participation by our students in these programs and as high as these figures may appear to be, our default rate is less than two percent.

As Congress reviews the very serious problem of how to curb student loan defaults, I believe it is important to remember that the vast majority of those borrowing do repay these obligations. In fact, research has shown that students with the largest levels of indebtedness are typically also those with the lowest default rates. Simi-

lar statistics have been provided to other Congressional committees which suggest a number of other very revealing observations about what kind of student is more likely to default.

In reviewing the future of the student loan program, Congress needs to recognize that increased borrowing opportunities are needed by families and that annual borrowing, as well as aggregate limits, need to be adjusted to reflect rising costs. Furthermore, we should appreciate the fact that the higher incomes that successful college graduates can now command have also improved their ability to handle increased debt. No doubt, these increases in loan limits will require additional costs.

However, if other legislation is properly written to address loan defaults and other abuses in other student aid programs, the savings generated could offset the costs related to increasing loan limits.

This discussion is a good illustration of the relevance of my final two topics, that of regulatory relief, as well as the need for sound research as a basis for developing policy. In an effort to address a number of very serious problems of fraud and abuse in Federal student aid, Congress has seen fit in recent years to mandate regulations aimed at curbing what has been a very expensive and terribly embarrassing and damaging national disgrace.

However, the legislation and regulation have typically been too broad brushed, requiring all participants, both good and otherwise, to carry out the understandably restrictive mandates. Why cannot legislation be written so as to exempt from these regulatory burdens those institutions whose programs have documented records of integrity and success?

In the arena of loan defaults, new legislation for 1991-92 will require a 30-day delay in the disbursement of Stafford loans to all freshman this fall, a very prudent measure for students at certain institutions whose records are less than positive. However, why should our program, with its less than two percent default rate, be subjected to the same red tape required of an institution with a 35 percent or higher default rate?

This fall at Notre Dame, more than 600 students will have to deal with this 30-day delay in the receipt of funds, and our institution will have to make adjustments to the loss of over three-quarters of a million dollars for at least 30 days. All of our lenders have had to be advised not to forward these checks in the standard disbursement manner, and hundreds of additional unpaid bills will be generated by our billing office as a result.

No doubt, there will be a similar number of long-distance phone calls from families requiring clarification and direction.

I could cite other examples of similarly inappropriate regulatory burdens. Our recommendation is simply that new and more restrictive regulations be directed at those institutions with documented problems, and that should programs be exempted. In fact, those whose records are exemplary should be rewarded by other legislative means so as to create incentives to encourage sound administration.

As a long time institutional participant in the Federal Quality Control Project, we would strongly recommend that Congress use the success of this Federal project as a model upon which to build

similar regulatory relief provisions into other aspects of Federal student assistance.

Finally, as a financial aid administrator who has worked with Title IV programs from their earliest days following the initial enactment of the Higher Education Act in 1965, I have the personal advantage of having had a much longer perspective than many. We can always learn much from history and a thorough analysis of the facts.

The historical vantage point helps us to improve our understanding of various outcomes of past policies, more properly consider changes to existing policies, and help anticipate the likely consequence of proposed alternatives. Of course, we will always need to also consider the larger moral and ethical implications of our decisions. Unfortunately, however, for far too many years, we have not been good custodians of solid data, a review of which could serve as the basis for refining out student aid policies. Too much of what we have legislated has too often been based on anecdotal, emotion-laden stories, or the passing political dynamics of the moment.

In reauthorizing this very important law, we need to ensure that any future legislation which addresses the very critical public policy issues involved in the financing of higher education of this country be based upon sound research data. A standard means of gathering and analyzing this data in a systematic annual reporting format should be required of all institutions and agencies involved with the programs.

On behalf of the many students who have benefitted from the assistance provided by Title IV programs through the years, including me, I would like to thank you as representatives of government for the generous support which these programs have provided. Moreover, I also thank you sincerely for the opportunity to testify today and would be pleased to respond to questions you may have.

[The prepared statement of Joseph A. Russo follows:]

Testimony

Committee on Education and Labor

U.S. House of Representatives

Subcommittee on Postsecondary Education

Joseph A. Russo

Director of Financial Aid

University of Notre Dame

Notre Dame, Indiana 46556

July 26, 1991

South Bend, Indiana

Members of the Subcommittee:

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Another very important topic repeatedly raised in previous testimony has dealt with the importance of early intervention information programs among our low-income/ disadvantaged populations. Certainly we need to support continued and creative approaches which will serve to encourage students from these families to pursue further education. However, I feel just as strongly that one of our nation's most critical needs is to regenerate in American families an old-fashioned desire to PLAN and SAVE for their children's education as their most important financial priority. While acknowledging at the outset that asking some families to save for their children's education may be an unreasonable expectation due to difficult financial circumstances, there does appear to have been some significant slippage in the way too many families face this issue. We can all relate to the higher cost of living today versus a

generation or more ago. We can also bemoan the rising costs of a college education. Some others could point to the unfortunate break-up of the traditional family unit and other socioeconomic ills. Still others may suggest that government itself has become "the enemy" by creating various disincentives both in federal student aid legislation as well as in the income tax laws as they relate to family savings. Some may even question whether the sacrifice and the investment in education is still worthwhile!

We need to re-instill in our families, especially in the parents of our very youngest children, the important reasons why planning and saving for their children's education is so critical, not only to the well being and success of the individual, but also for society as a whole. Programs for parents that encourage planning and saving should begin with the birth of their children. These efforts can include simple written materials; presentations in prenatal, nursery school and early grade school settings; videotapes made available on television, from public libraries and through employers in lunchrooms at parents' workplaces, and other means. Topics would include the projected cost of college and the wide price range of opportunities, the many positive reasons for furthering one's education, the advantages of beginning to save at the earliest possible moment in a child's life, and the financial aid opportunities that might be available at the time the child is ready for college. To really encourage this old-fashioned concept, Congress should consider incorporating a provision in the needs analysis legislation which would reward, not punish, this kind of family sacrifice. Similar provisions need to be considered for federal tax legislation, which would offer incentives to families that plan and save for their children's education. If we expect our families to adopt as their <u>top</u> financial priority the need to plan and save for their children's college educations, if we as a country truly believe in an educated citizenry as <u>the</u> most viable means to provide for our future, then let's demonstrate it by incorporating these kinds of incentives into our laws.

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As Congress reviews the very serious problem of how to curb student loan defaults, I believe it important to remember that the vast majority of those borrowing do repay their obligations. In fact, research has shown that students with the largest levels of indebtedness are typically also those with the lowest default rates. Similar statistics have been provided to other Congressional committees which suggest a number of other very revealing observations about what kind of student is more likely to default.

In reviewing the future of the student loan program, Congress needs to recognize that increased borrowing opportunities are needed by families and that annual borrowing as well as aggregate limits need to be adjusted to reflect rising costs. Furthermore we should appreciate the fact that the higher incomes that successful college graduates can now command have also improved their ability to handle increased debt. No doubt these increases in loan limits will require additional costs. However, if other legislation is properly written to address loan defaults and abuses in other student aid programs, the savings generated could offset the costs related to increasing loan limits.

This discussion is a good illustration of the relevance of my final two topics: that of regulatory relief as well as the need for sound research as a basis for developing policy. In an effort to address a number of very serious problems of fraud and abuse in federal student aid, Congress has seen fit in recent years to mandate regulations aimed at curbing what has been a very expensive and terribly embarrassing and damaging national disgrace. However, the legislation and regulation have typically

been too broad brushed, requiring all participants, both good and otherwise, to carry out the understandably restrictive mandates. Why cannot legislation be written so as to exempt from these regulatory burdens those institutions whose programs have documented records of integrity and success? In the arena of loan defaults, new legislation for 1991,92 will require a 30-day delay in the disbursement of Stafford Student loans to all freshmen this fall -- a very prudent measure for students at certain institutions whose records are less than positive. However, why should our program, with its less than two percent default rate, be subjected to the same red tape required of an institution with a 35 percent or higher default rate? This fall at Notre Dame, more than 600 students will have to deal with this 30 day delay in the receipt of funds, and our institution will have to make adjustments to the loss of over three-quarters of a million dollars for at least 30 days. All of our lenders have had to be advised not to forward these checks in the standard disbursement manner and hundreds of additional unpaid bills will be generated by our billing office as a result. No doubt, there will be a similar number of long-distance phone calls from families requiring clarification and direction.

I could cite other examples of similarly inappropriate regulatory burdens. Our recommendation is simply that new and more restrictive regulations be directed at those institutions with documented problems, and that sound programs be exempted. In fact, those whose records are exemplary should be rewarded by other legislative means so as to create incentives to encourage sound administration. As a long-time institutional participant in the federal Quality Control Project, we would strongly recommend that Congress use the success of this federal project as a model upon which to build similar regulatory relief provisions into other aspects of federal student assistance.

Finally, as a financial aid administrator who has worked with Title IV programs from their earliest days following the initial enactment of the Higher Education Act in 1965, I have the personal advantage of having had a much longer perspective than many. We can always learn much from history and thorough analysis of the facts. The historical vantage point helps us to improve our understanding of various outcomes of

past policies, more properly consider changes to existing policies, and help anticipate the likely consequences of proposed alternatives. Of course, we will always need to also consider the larger moral and ethical implications of our decisions. Unfortunately, however, for far too many years we have not been good custodians of solid data, a review of which could serve as the basis for refining our student aid policies. Too much of what we have legislated has too often been based on anecdotal, emotion-laden stories of the passing political dynamics of the moment. In reauthorizing this very important law, we need to ensure that any future legislation which addresses the very critical public policy issues involved with the financing of higher education in this country be based upon sound research data. A standard means of gathering and analyzing this data in a systematic annual reporting format should be required of all institutions and agencies involved with the programs.

On behalf of the many students who have benefited from the assistance provided by Title IV programs through the years, including me, I would like to thank you as representatives of government for the generous support which these programs have provided. Moreover, I also thank you sincerely for the opportunity to testify today and would be pleased to respond to any questions you may have.

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Chairman ROEMER. Thank you, Joe. Ms. Nucciarone?

STATEMENT OF MARY NUCCIARONE, ACTING DIRECTOR, FINANCIAL AID, ST. MARY'S COLLEGE, NOTRE DAME, INDIANA

Ms. NUCCIARONE. Thank you. I am Mary Nucciarone, and I am the acting director of financial aid at St. Mary's College in Notre Dame, Indiana. I also appreciate having this opportunity to testify at the subcommittee hearing today on the reauthorization. My remarks today will concentrate on three broad areas of the issues at hand. More specifically, I would like to address, as others have, grant versus loan inequity, program integrity, and the application process and methodology.

As a small Catholic women's liberal arts college, St. Mary's enrolls an average of 1,750 women yearly. The number of families demonstrating financial need has grown steadily over the past 10 years due to increasing educational costs and family incomes that barely have kept pace with inflation. St. Mary's College has always demonstrated a commitment to our families to meet their financial needs and thereby provide access to private higher education which may otherwise be out of reach for many families.

Since Federal appropriations did not keep pace with inflation in the 1980s, an increased burden for financial aid was placed on our institutional dollars. In 1981, St. Mary's College committed $764,000 from the institution to assist financially needy students. During the same year, the amount we received in Federal grant assistance totaled $225,587.

In 1990, the college, still committed to meeting the financial need of our applicants, expended approximately $3.2 million from its institutional funds. Federal grant assistance to our students in 1990 totaled $291,625. While institutional funding increased 328 percent over this time period, Federal assistance increased by only 29 percent.

If the imbalance between these institutional and Federal dollars continues at this pace, our institution, as will probably many other private institutions, will feel a further strain on their operating budgets and we all may be forced to re-evaluate our ability to fulfill our commitment to assist needy students in supplementing their education with institutional grant dollars.

Richard Rosser, president of the National Association of Independent Colleges and Universities, in his testimony given before this committee on March 21, 1991, cited the Middle-Income Student Assistance Act of 1978, which addressed the family income for minimum Pell Grant eligibility at $25,000. He further indicated that the $25,000 income of 1978 would now be equivalent to $49,615 in 1990 dollars.

Although the average income of families receiving financial assistance at St. Mary's College ranges from $40,000 to $60,000, the average income for our Pell Grant recipients is $27,229. In 1990, we offered institutional funding to 693 students; however, only 169 students were eligible to receive Pell Grant funding. Pell Grants to St. Mary's students averaged $1,300 during that year. When faced with tuition costs of $9,390, the average award of $1,300 does very little to assist our families.

We strongly recommend that Congress seriously consider the proposals submitted to this subcommittee earlier this spring by the American Council on Education. Briefly, their recommendation suggested an increase in the annual Pell Grant maximum award to $4,000, with an imposition of a limitation on the amount of the grant which could be used for living expenses, as well as tuition.

We have also seen the effects of the inequity illustrated above on our graduating students. In the past several years, we have seen an increase in the average loan indebtedness of our students. Very often, they are faced with a loan indebtedness that is equal to or greater than their starting salaries, particularly now that we are facing hard economic times.

Although we support the need to increase student loan levels to meet the rising costs of education, we are also concerned about the overall economic effect that an increase in their debt will cost. Such an increase may cause higher default rates if students are unable to achieve salary levels necessary for repayment. If loan levels are increased, we would encourage Congress to adopt a more realistic repayment schedule that would be graduated as students increase their earning potentials.

In addition, regulatory relief is needed for the many institutions which are not part of the default and fraud problems that are challenging the integrity of student financial aid programs. Many institutions such as St. Mary's are demonstrating sound administration of Federal financial aid programs, graduation of their students, and cohort default rates of one percent or less.

Recent legislation requires that all institutions administer burdensome regulations which were intended to help reduce student default rates. We would encourage Congress to target regulatory legislation toward problematic institutions, while at the same time providing acknowledgement and relief to those institutions with sound administration. The acknowledgement could be in the form of additional Federal dollars should the institution continue to exceed the standard, while the relief would be exemption from the burdensome and often inappropriate regulations currently part of law.

Finally, I would like to offer several brief comments regarding the application process and methodology. All too often, families express their discouragement and their confusion over the application process. We would encourage Congress to adopt a simplified formula for those families with truly simple income profiles such as those families filing the Federal 1040A or 1040EZ, or non-filers who are recipients of public assistance only.

The application process should be designed to address the family circumstances of the majority of the population rather than developing methodologies for circumstances which affect a relatively minor population, such as the dislocated worker and displaced homemakers. Adjustments to the methodology for those areas should be under the financial aid administrator's authority.

As I illustrated earlier, the middle-income family is not eligible for most Federal assistance, even the Stafford Loan Program. All too often, home equity is the only asset a family has and many times it is overinflated by geographic region. Yet, the current methodology requires a contribution from that asset. We support

current recommendations which would eliminate or place a ceiling on the amount of contribution required from non-liquid assets from the need analysis.

I thank you for the opportunity to testify at this hearing, and I commend you and your fellow Members of Congress in your efforts to encourage access tc higher education.

[The prepared statement of Mary Nucciarone follows:]

Mr. Chairman and Members of the Subcommittee:

I am Mary Nucciarone, Acting Director of Financial Aid at Saint Mary's College in Notre Dame, Indiana. I appreciate having the opportunity to testify at the subcommittee's hearings on the reauthorization of the Higher Education Act. My remarks today will concentrate on three broad areas of the issues at hand. More specifically I will address grant versus loan inequity, program integrity and the application process and methodology.

As a small, Catholic, women's, liberal arts college, Saint Mary's enrolls an average of 1,750 women yearly. The number of families demonstrating financial need has grown steadily over the past 10 years, due to increasing educational costs and family incomes that barely have kept pace with inflation. The college always has demonstrated a commitment to our families to meet their financial needs and thereby provide access to private higher education which may otherwise be out of reach to most families.

Since federal appropriations did not keep pace with inflation in the 1980's, an increased burden for financial aid was placed on our institutional dollars. In 1981 Saint Mary's College committed $764,221 of institutional dollars to assist financially needy students. During the same year, the amount we received in federal grant assistance (Pell Grant and SEOG) totaled $225,587. In 1990 the College, still committed to meeting the financial need of our applicants, expended $3,269,971 in institutional dollars. Federal grant assistance to our students in 1990 totaled $291,625. While institutional funding increased 328% over this time period, federal assistance increased by only 29%. If the imbalance between

institutional and federal dollars continues at this pace, our institution will feel a further strain on it's operating budget and we may be forced to reevaluate our ability to fulfill our commitment to assist needy students in supplementing their education with institutional grant assistance.

Richard Rosser, president of the National Association of Independent Colleges and Universities, in his testimony given before this committee on March 21, 1991 cited the Middle-Income Student Assistance Act (MISAA) of 1978 which addressed the family income for minimum Pell Grant eligibility of $25,000. He further indicated that the $25,000 income of 1978 would be equivalent to $49,615 in 1990 dollars.

Although the average income of the families receiving financial assistance at Saint Mary's College ranges from $40,000 to $60,000, the average income for our Pell Grant recipients is $27,229. In 1990 we offered institutional funding to 693 students, however, only 169 students were eligible for Pell Grant funding. Pell Grants to Saint Mary's students averaged $1,300 during that year. When faced with tuition costs of $9,390, the average award of $1,300 does very little to assist our families.

We recommend that Congress seriously consider the proposals submitted to this subcommittee earlier this spring by the American Council on Education. Briefly, their recommendation suggested an increase in the annual Pell Grant maximum award to $4,000, and the imposition of a limitation on the amount of the grant which could be used for living expenses as well as tuition.

We have also seen the effects of the inequity illustrated

above on our graduating students. In the past several years, we have seen an increase in the average loan indebtedness of our students. Very often, they are faced with a loan indebtedness that is equal to or greater than their annual starting salaries, particularly in hard economic times. Although we support the need to increase student loan levels to meet the rising cost of education, we also are concerned about the overall economic effect that an increase in debt will create. Such an increase may cause higher default rates if students are unable to achieve salary levels necessary for repayment. If loan levels are increased, we would encourage Congress to adopt a more realistic repayment schedule that would be graduated as students increase their earning level.

In addition, regulatory relief is needed for the many institutions which are not part of the default and fraud problems that are challenging the integrity of student financial aid programs. Many institutions, such as Saint Mary's, are demonstrating sound administration of federal financial aid programs, graduation of their students and cohort default rates of 1% or less. Recent legislation requires that all institutions administer burdensome regulations (particularly in the Stafford Loan Program) which were intended to help reduce student default rates. We would encourage Congress to target regulatory legislation toward problematic institutions while at the same time providing acknowledgement and relief to those institutions with sound administration. The acknowledgement could be in the form of additional federal dollars should the institution continue to

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exceed the standard, while the relief would be exemption from the burdensome and often inappropriate regulations currently part of regulation.

Finally, I would like to offer several brief comments regarding the application process and methodology. All too often families express their discouragement and confusion over the current application process. We would encourage Congress to adopt a simplified formula for those families with truly "simple" income profiles such as those families filing the federal 1040A or 1040EZ or nonfilers who are recipients of public assistance only.

The application process should be designed to address the family circumstances of the majority of the population rather than developing special methodologies for circumstances (such as dislocated workers and displaced homemakers) which affect a relatively minor population. Adjustments to methodology in these areas should be under the financial aid administrator's authority.

As I illustrated earlier, the middle-income family is not eligible for most federal assistance, even in the Stafford Loan Program. All too often, home-equity is the only asset a family has and many times it is over-inflated by geographic region, yet the current methodology requires a contribution from that asset. We support the current recommendations which would eliminate or place a ceiling on the amount of contribution required from non-liquid assets from the need-analysis.

Thank you for this opportunity to testify at this hearing. I commend you and your fellow members of Congress for your efforts to encourage access to higher education. I would be pleased to respond to any questions you may have.

Chairman ROEMER. Thank you. Dr. Greenkorn?

STATEMENT OF ROBERT A. GREENKORN, VICE-PRESIDENT FOR RESEARCH, PURDUE UNIVERSITY, WEST LAFAYETTE, INDIANA

Mr. GREENKORN. Mr. Chairman and members of the committee, thank you for inviting my colleagues from Indiana and myself to testify before your committee. The reauthorization of the Higher Education Act of 1965 is probably, at least in our minds, the most important education legislation that the 102nd Congress will look at.

We at Purdue University support much of what people have talked about to you this morning, re-examining the Pell Grant Program, re-examining loan programs. I am going to mention something no one else has. I am going to drift off into Title IX and talk a little bit about similar programs for graduate professional education and also about the fund for the improvement of postsecondary education. I will discuss each of these issues and then comment on several aspects of the reauthorization.

If you are going to follow me on the piece of paper, you will find I am not going to follow it, so you are going to have to——

Chairman ROEMER. You have got that latitude, Doctor. I was waiting for somebody to take advantage of it.

Mr. GREENKORN. Okay. I will go through it in general the way I have it there. First of all, the Pell Grant Program: We join with our colleagues in postsecondary education in asking you to consider the current imbalance between grants and loans. As has been stated many times today, Pell Grants have not kept up with the cost of attending college. They have not kept up with the cost of subsistence. The poorest students must borrow a substantial amount of money in addition to grants. If these students are unable to finish their education, they have difficult meeting this loan burden.

An answer to this dilemma has already been presented several times, and that is to convert the Pell Grant Program to an entitlement. Thus, if students qualify under the act, they will receive a fair award without fear of reductions due to insufficient funds. Awards must be large enough so that the poorest students can decrease reliance on loans.

I have changed my next sentence there if you are watching. I will go up to $4,500. I think a maximum grant of $4,500 is a reasonable one. Also, the children of middle-income parents should receive some consideration. It is a burden for middle-income families to support their children in college. I can attest to that.

Further, these families must often borrow to send their children to college. These families must pay the taxes that support a large portion of this program, and they should receive the benefit, I think, of these taxes.

Let me shift to loan programs. In regard to the direct loan program, we support a review of the program on a pilot basis. As you have heard already, all of these policies and procedures complicate the borrowing procedure for colleges and universities; and the benefits of such a proposed change could be simplicity, and efficiency,

and reduced costs, and student access on a timely basis. But I think we might look at a pilot program for that.

We also support standards for institution eligibility that would provide regulatory relief for institutions that can demonstrate sound administration of the programs. My colleagues to my right have both commented on that, and we certainly support that issue. We would also like to see the loan program repayment extended to 15 years.

Now, the department's objectives of increasing the number of students who pursue faculty careers and attracting significant numbers of under-represented groups into college teaching should increase the quality and diversity of faculties. The comment was raised earlier about what we should do for teaching. We have a problem with teaching at colleges, also.

There are five recommendations that we would like comment applying to Title IX. They look like a lot like Title IV in that sense. First of all, these programs should be administered as a unit by a central staff. Simplicity is again the word. It has been all morning.

Secondly, awards by the department are allocated on a schedule that does not allow the programs to derive benefits. As most of you know, we are already starting to recruit graduate students for next year at this point, even though the loans and the grants will not come out until the middle of next year, and this creates some problem.

The Department of Education is the only Federal agency, I believe, that requires a financial need analysis for graduate stipends. Practically speaking, such an analysis results in little or no difference in the stipends. It seems one should eliminate that analysis.

The Department of Education graduate stipends are supported at 10,000. This level is too low. It should be increased. The Harris and Javits Programs which apply to under-represented groups and to the humanities provide a cost of allowance to institutions of $6,000 per student. A more reasonable number is probably much more than that, but $10,000 would certainly be more reasonable.

Finally, let me comment on the fund for the improvement of postsecondary education. This fund is a successful categorized program of the act. As you know, it funds practical, applied research and demonstration projects to improve postsecondary education opportunities such as encouraging reform and innovation in higher education and programs that provide new paths to career and professional training.

We support a new section of the fund authorizing five million to support grants in the areas that improve participation rates of U.S. students in study abroad programs, something that Father Ted alluded to this morning; to respond to dropout problems, campus conflict, and group antagonisms; and to take advantage of those programs that have already been completed and to provide evaluation and dissemination of those programs.

Thank you for letting me talk to you about the Higher Education Act. We hope that the 1991 legislation will continue to improve the education programs.

[The prepared statement of Robert A. Greenkorn follows:]

TESTIMONY - REAUTHORIZATION OF THE HIGHER EDUCATION ACT

Robert A. Greenkorn
Vice President for Research
Purdue University

Mr. Chairman and Members of the Committee:

Thank you for inviting my colleagues and me from Indiana to testify before your committee. The reauthorization of the Higher Education Act of 1965 is the most important education legislation to be considered during the 102nd Congress.

We at Purdue University support reexamining the Pell grant program, reexamining loan programs, adjustments to the Department's legislative mandate for graduate and professional education, and authorizing a new section for the Fund for the Improvement of Post Secondary Education. I will discuss each of these issues and comment on several other aspects of the reauthorization in the following.

Pell Grant Program

We join with our colleagues in post-secondary education in asking you to consider the current imbalance between grants and loans. Pell grants have not kept up with the cost of attending college; they have not kept up with the cost of subsistence. The poorest students must borrow a substantial amount of money in addition to their grants. If these students are unable to finish their education they have difficulty meeting the loan burden.

An answer to this dilemma is to convert Pell grants to an entitlement. Thus, if students qualify under the terms of the Act they will receive a fair award without fear of reductions due to insufficient funds. Awards must be large enough so the poorest students can decrease reliance on loans. A maximum grant of $4,400 indexed for inflation is recommended.

The children of middle income parents should receive some consideration. It is a burden for middle income families to support their children in college. Further, these families often must borrow to send their children to college. These families pay the taxes that support a large portion of these programs. They should receive some of the benefit of these taxes.

Older students who carry more than a part-time load - half or greater - also deserve consideration. Currently families with assets in a farm or a home are not considered in calculating financial aid. These nontraditional students should receive similar consideration.

Loan Programs

We support a review of a direct loan program on a pilot basis. The current guaranteed student loan program includes more than 13,000 lenders and more than 50 guarantee agencies. All of these have policies and procedures that complicate the borrowing process for the students and for the colleges and universities. The benefits of the proposed change could be simplicity, efficiency, reduced costs and student access to funds on a timely basis.

We support standards for institutional eligibility which would provide regulatory relief for institutions that can demonstrate sound administration of loan programs. The loan program repayment periods should be extended to fifteen years. Consideration should be given to increasing loan program maximums.

Graduate and Professional Education

Science and technology are important to the nation's economic competitiveness, to the health of our citizens and to national defense. The Department of Education can compliment the objectives of the National Science Foundation, the National Institutes of Health and other departments contributing to the nation's education and research programs supporting graduate students. A principle objective should be to provide future college and university faculty by supporting Ph.D. fellowships and traineeships. It is projected that the

supply of Ph.D.'s will be such that by the turn of the century there will not be enough to supply demands for faculty in most areas. There are already shortages occurring in science, engineering and business faculties. The Department's objectives of increasing the number of students who pursue faculty careers and attracting significant numbers of under represented groups into college teaching should increase the quality and diversity of faculties.

We have five recommendations that apply to Title IX graduate programs. 1) The Title IX programs currently are administrated by different program areas using different procedures and schedules. These programs should be administered as a unit by a central staff. The lack of common procedures impairs the utility of the programs. 2) Awards by the Department are allocated on a schedule that does not allow the programs to derive complete benefits. Graduate schools recruit new students almost a year prior to enrollment. Thus, traineeship and fellowship programs should be awarded at the beginning of the year for the following fall. 3) The Department of Education is the only federal agency that requires a financial needs analysis for graduate stipends. At the practical level, such an analysis results in little or no difference to stipend levels. It is a significant administrative burden on both the colleges and the Department. Eliminate the financial need analysis. 4) Department of Education graduate stipends are supported at $10,000. This level is too low and should be increased. 5) The Harris and Javits program provide a cost of allowance to the institution of $6,000 per student. Institutional costs far exceed this number. A more reasonable number of $10,000 with an annual inflation increase is recommended.

We also endorse the American Council on Education recommendations to:

- expand the minority undergraduate science research internship program (IX-A) to include women;
- Modify the two Harris programs into two equally funded programs, one supporting doctoral students, and the other supporting masters and

professional students;

- add a year of dissertation support for Harris Ph.D. fellowships;
- add a matching requirement of a year of university funded, supervised teaching experience for Harris doctoral and National Need traineeships.

Fund for the Improvement of Post Secondary Education

The Fund for the Improvement of Post Secondary Education (FIPSE) is a successful categorized program of the Act. It funds practical, applied research and demonstration projects to improve post secondary education opportunities such as: encouraging reform and innovation in higher education, and programs that provide new paths to career and professional training.

We support a new section for FIPSE authorizing $5 million to support grants in the following areas:

- International Exchange - to improve participation rates of U.S. students in study abroad programs;
- Campus Climate and Culture - to respond to dropout problems, campus conflict, student alienation, and group antagonisms;
- Evaluation and Dissemination - to ensure that maximum benefit is obtained from innovation grants and to provide evaluation and dissemination of successful programs.

Thank you again for allowing me to talk with you concerning the reauthorization of the Higher Education Act. We hope that the 1992 legislation will continue to improve the education programs of the nation.

Chairman ROEMER. Thank you, Dr. Greenkorn. Mr. Clinton?

STATEMENT OF STEPHEN W. CLINTON, PRESIDENT, INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC., INDIANAPOLIS, INDIANA

Mr. CLINTON. Mr. Chairman, members of the committee, my name is Steve Clinton. I represent Indiana Secondary Market for Education Loans. ISM has existed since 1980, purchasing in excess of $750 million in education credit from the private lending community. I also represent a loan servicing organization, Education Financial Services of Indiana. EFS services approximately $500 million in PLUS, SLS, and Stafford Loans. I appreciate the opportunity to address this panel and to provide our views with respect to reauthorization.

Default reduction has been a primary focus of the loan programs for some period of time. I believe measures are being taken at both the Federal and State level to reduce participation of abusive schools, borrowers, and lenders. I am please to report that after reviewing the dollar volume of claims being filed by our organization that the tide seems to have turned, at least for the time being.

In the first 6 months of 1991, our organization filed $6.7 million in claims, down from $10.9 million in the same period last year and at the lowest level in 4 years, since 1987. We attribute this improvement to actions taken by the Department of Education and the guarantors to reduce participation by abusive schools and through our own efforts to act as an information resource for the lending community when we identify schools with high default rates and delinquency characteristics.

We encourage the Congress to continue looking for new ways to reduce defaults by strengthening the gaurantors' ability to restrict school eligibility in abusive situations.

In regard to due diligence requirements, I agree wholeheartedly with Joe Russo in that there does not seem to be any qualitative positions being taken in regard to the blanket requirements that are regulated. No one seems to be able to look at the level of expertise and the level of success in collecting student loans in applying the regulations.

The 1986 due diligence regulations issued by the department are overly prescriptive and result in insurance claims denials for very superficial servicing violations. We believe that a better approach is to provide incentives which increase the efficiency of the servicing function such as the proposal put forth by the Consumer Bankers Association that periodic diligence testing be performed on servicers.

If acceptable levels of compliance exist, claims would be paid without an individual compliance review. Guarantors would be freed from the need to review all claims in detail, a very time-consuming process; and claims could be paid much faster, saving interest on claims.

Guarantor solvency is a major issue facing the program, as well. The lending community and secondary market organizations must be assured that if the guarantor fails, the Department of Education is legally committed to restore loan guarantees. This assurance

does not create any additional liability for the U.S. Government, but would serve to clarify that lenders will not be called upon to absorb losses for loans which would never be made without a Federal guarantee in the first place.

Without this assurance, secondary markets will have an increasingly difficult time developing financing to support their activities. Standardized audited financial reporting should also be mandated so that the Department of Education can adequately assess the activities of each guarantor in order to prevent a guarantor collapse in the future.

Loan guarantee levels must be kept at a hundred percent for the lending community. Several suggestions have been made in the past that less than 100 percent loan guarantees be used as an incentive for greater collection activity among the lending community. So long as eligibility for loans is driven by need rather than ability to repay, risk-sharing would likely not have the intended affect and would only serve to further limit access and reduce lender participation.

Similarly, it is important that loan yield not be reduced beyond current levels. Increasingly, secondary markets must borrow at much higher taxable rates because accessibility to tax-exempt financing is now very limited. With increasing servicing costs, we are very close to break even on new financing.

We also support the expansion of the loan program to once again include individuals from middle-income families. We believe that any income-related restrictions should pertain only to the provision of interest subsidies, but not to loan eligibility. PLUS and SLS Loans fail to consider that a dependent student may not have a parent willing or able to borrow on their behalf and simply adds an additional loan program with all it confusing terms to an already complicated financial aid environment.

We would prefer to see expansion of eligibility for the Stafford Loan Program, along with higher loan limits to permit borrowers to adequately address increases in overall costs of attendance.

Loan deferments have become extremely complicated through the years and we believe should now be simplified to include a much smaller number of eligible situations. The eligibility criteria should be broad enough to permit the inclusion of all current deferment provisions under the new deferment categories.

We also support expansion of the loan consolidation program to permit consolidation of Title IV indebtedness without regard to overall totals of loans. The current $5,000 minimum balance does not alleviate problems associated with loans being split among servicers, lenders, or secondary markets. Borrowers are unduly penalized by this splitting in that they must document their status and make payment to all of the parties. We believe the borrower should have the opportunity to request a servicer to consolidate all of his or her loans and mandate to the other entities that they cooperate in this effort.

I appreciate your willingness to consider our views about reauthorization. The education loan programs have been extremely important to students and we hope the reauthorization process results in an improved program which provides much needed financial support to students engaged in postsecondary education. Thank you very much.

[The prepared statement of Stephen W. Clinton follows:]

MY NAME IS STEVE CLINTON. I REPRESENT INDIANA SECONDARY MARKET FOR EDUCATION LOANS (ISM). ISM HAS EXISTED SINCE 1980, PURCHASING IN EXCESS OF $750 MILLION IN EDUCATION CREDIT FROM THE PRIVATE LENDING COMMUNITY. I ALSO REPRESENT A LOAN SERVICING ORGANIZATION, EDUCATION FINANCIAL SERVICES OF INDIANA (EFS). EFS SERVICES APPROXIMATELY $500 MILLION IN PLUS, SLS AND STAFFORD LOANS. I APPRECIATE THE OPPORTUNITY TO ADDRESS THIS PANEL AND TO PROVIDE OUR VIEWS WITH RESPECT TO REAUTHORIZATION.

DEFAULT REDUCTION HAS BEEN A PRIMARY FOCUS OF THE LOAN PROGRAMS FOR SOME PERIOD OF TIME. I BELIEVE MEASURES ARE BEING TAKEN AT BOTH THE FEDERAL AND STATE LEVEL TO REDUCE PARTICIPATION OF ABUSIVE SCHOOLS, BORROWERS AND LENDERS. I AM PLEASED TO REPORT AFTER REVIEWING THE DOLLAR VOLUME OF CLAIMS BEING FILED BY OUR ORGANIZATION, THAT THE TIDE SEEMS TO HAVE TURNED. IN THE FIRST SIX MONTHS OF 1991, OUR ORGANIZATION FILED $6.7 MILLION IN CLAIMS, DOWN FROM $10.9 MILLION IN THE SAME PERIOD LAST YEAR AND THE LOWEST LEVEL SINCE 1987. WE ATTRIBUTE THIS IMPROVEMENT TO ACTIONS TAKEN BY THE U.S. DEPARTMENT OF EDUCATION AND THE GUARANTORS TO REDUCE PARTICIPATION BY ABUSIVE SCHOOLS AND THROUGH OUR OWN EFFORTS TO ACT AS AN INFORMATION RESOURCE FOR THE LENDING COMMUNITY WHEN WE IDENTIFY SCHOOLS WITH HIGH DEFAULT AND DELINQUENCY CHARACTERISTICS. WE ENCOURAGE THE CONGRESS TO CONTINUE LOOKING FOR NEW WAYS TO REDUCE DEFAULTS BY STRENGTHENING THE GUARANTORS ABILITY TO RESTRICT SCHOOL ELIGIBILITY IN ABUSIVE SITUATIONS.

IN REGARD TO DUE DILIGENCE REQUIREMENTS, WE BELIEVE THAT THE 1986 DUE DILIGENCE REGULATIONS ISSUED BY THE DEPARTMENT ARE OVERLY PRESCRIPTIVE AND RESULT IN INSURANCE CLAIM DENIALS FOR VERY SUPERFICIAL SERVICING VIOLATIONS. WE BELIEVE THAT A BETTER APPROACH IS TO PROVIDE INCENTIVES WHICH INCREASE THE EFFICIENCY OF THE SERVICING FUNCTION SUCH AS THE PROPOSAL BY THE CONSUMER BANKERS ASSOCIATION (CBA) THAT PERIODIC DILIGENCE TESTING BE PERFORMED ON SERVICERS. IF ACCEPTABLE LEVELS OF COMPLIANCE EXIST, CLAIMS WOULD BE PAID WITHOUT AN INDIVIDUAL COMPLIANCE

REVIEW. GUARANTORS WOULD BE FREED FROM THE NEED TO REVIEW ALL CLAIMS IN DETAIL AND CLAIMS COULD BE PAID MUCH FASTER, SAVING INTEREST ON CLAIMS.

GUARANTOR SOLVENCY IS A MAJOR ISSUE FACING THE PROGRAM. THE LENDING COMMUNITY AND SECONDARY MARKET ORGANIZATIONS MUST BE ASSURED THAT IF THE GUARANTOR FAILS, THE DEPARTMENT OF EDUCATION IS LEGALLY COMMITTED TO RESTORE LOAN GUARANTEES. THIS ASSURANCE DOES NOT CREATE ANY ADDITIONAL LIABILITY FOR THE U.S. GOVERNMENT, BUT WOULD SERVE TO CLARIFY THAT LENDERS WILL NOT BE CALLED UPON TO ABSORB LOSSES FOR LOANS WHICH WOULD NEVER BE MADE WITHOUT A FEDERAL GUARANTEE IN THE FIRST PLACE. WITHOUT THIS ASSURANCE, SECONDARY MARKETS WILL HAVE AN INCREASINGLY DIFFICULT TIME DEVELOPING FINANCING TO SUPPORT THEIR ACTIVITIES. STANDARDIZED AUDITED FINANCIAL REPORTING SHOULD ALSO BE MANDATED SO THAT THE DEPARTMENT OF EDUCATION CAN ADEQUATELY ASSESS THE ACTIVITIES OF EACH GUARANTOR IN ORDER TO PREVENT A GUARANTOR COLLAPSE IN THE FUTURE.

LOAN GUARANTY LEVELS MUST BE KEPT AT 100% FOR THE LENDING COMMUNITY. SEVERAL SUGGESTIONS HAVE BEEN MADE IN THE PAST THAT LESS THAN 100% LOAN GUARANTEES BE USED AS AN INCENTIVE FOR GREATER COLLECTION ACTIVITY AMONG THE LENDING COMMUNITY. SO LONG AS ELIGIBILITY FOR LOANS IS DRIVEN BY NEED, RATHER THAN ABILITY TO REPAY, RISK SHARING WOULD LIKELY NOT HAVE THE INTENDED EFFECT AND WOULD ONLY SERVE TO FURTHER LIMIT ACCESS AND REDUCE LENDER PARTICIPATION.

SIMILARLY, IT IS IMPORTANT THAT LOAN YIELD NOT BE REDUCED BEYOND CURRENT LEVELS. INCREASINGLY SECONDARY MARKETS MUST BORROW AT MUCH HIGHER TAXABLE RATES BECAUSE ACCESSIBILITY TO TAX-EXEMPT FINANCING IS VERY LIMITED. WITH INCREASING SERVICING COSTS, WE ARE VERY CLOSE TO BREAKEVEN ON NEW FINANCINGS.

WE ALSO SUPPORT THE EXPANSION OF THE LOAN PROGRAM TO ONCE AGAIN INCLUDE INDIVIDUALS FROM MIDDLE INCOME FAMILIES. WE BELIEVE THAT ANY INCOME-RELATED

RESTRICTIONS SHOULD PERTAIN ONLY TO THE PROVISION OF INTEREST SUBSIDIES BUT NOT LOAN ELIGIBILITY. PLUS AND SLS LOANS FAIL TO CONSIDER THAT A DEPENDENT STUDENT MAY NOT HAVE A PARENT WILLING OR ABLE TO BORROW ON THEIR BEHALF AND SIMPLY ADDS AN ADDITIONAL LOAN PROGRAM WITH ALL ITS CONFUSING TERMS TO AN ALREADY COMPLICATED FINANCIAL AID ENVIRONMENT. WE WOULD PREFER TO SEE EXPANSION OF ELIGIBILITY FOR THE STAFFORD LOAN PROGRAM ALONG WITH HIGHER LOAN LIMITS TO PERMIT BORROWERS TO ADEQUATELY ADDRESS INCREASES IN OVERALL COSTS OF ATTENDANCE.

LOAN DEFERMENTS HAVE BECOME EXTREMELY COMPLICATED THROUGH THE YEARS AND WE BELIEVE SHOULD NOW BE SIMPLIFIED TO INCLUDE A MUCH SMALLER NUMBER OF ELIGIBLE SITUATIONS. THE ELIGIBILITY CRITERIA SHOULD BE BROAD ENOUGH TO PERMIT THE INCLUSION OF ALL CURRENT DEFERMENT PROVISIONS UNDER THE NEW DEFERMENT CATEGORIES.

WE ALSO SUPPORT EXPANSION OF THE LOAN CONSOLIDATION PROGRAM TO PERMIT CONSOLIDATION OF TITLE IV INDEBTEDNESS WITHOUT REGARD TO OVERALL TOTALS OF LOANS. THE CURRENT $5,000 MINIMUM BALANCE DOES NOT ALLEVIATE PROBLEMS ASSOCIATED WITH LOANS BEING SPLIT AMONG SERVICERS, LENDERS OR SECONDARY MARKETS. BORROWERS ARE UNDULY PENALIZED BY THIS SPLITTING IN THAT THEY MUST DOCUMENT THEIR STATUS AND MAKE PAYMENT TO ALL OF THE PARTIES. WE BELIEVE THE BORROWER SHOULD HAVE THE OPPORTUNITY TO REQUEST A SERVICER TO CONSOLIDATE ALL OF HIS OR HER LOANS AND MANDATE TO THE OTHER ENTITIES THAT THEY COOPERATE IN THAT EFFORT.

I APPRECIATE YOUR WILLINGNESS TO CONSIDER OUR VIEWS ABOUT REAUTHORIZATION. THE EDUCATION LOAN PROGRAMS HAVE BEEN EXTREMELY IMPORTANT TO STUDENTS AND WE HOPE THAT THE REAUTHORIZATION PROCESS RESULTS IN AN IMPROVED PROGRAM WHICH PROVIDES MUCH NEEDED FINANCIAL SUPPORT TO STUDENTS ENGAGED IN POSTSECONDARY EDUCATION.

1. DEFAULT REDUCTION

Issue: Numerous suggestions for reauthorization include provisions to reduce defaults. Many of the changes in the programs over recent years have been efforts at default reduction.

Discussion: No issue related to the loan programs has been more fully discussed than that of defaults. Accordingly, many recent program revisions have as their goal the reduction of defaults. Reauthorization suggestions by Secretary Alexander as well as the Administration's FY'92 Budget include additional changes.

Delaying disbursement is a key program change. Much anecdotal information related to borrowers who default as well as a number of studies point to situations in which individuals enroll for school (perhaps at the strong encouragement of commissioned recruiters), but fail to attend for more than a few days or weeks. Current restrictions delay first disbursements to first time borrowers for 30 days. The Administration proposes increasing this delay period to 60 days.

Other key default reduction provisions include the withdrawal of eligibility for attendance at schools with relatively high default rates. The first such schools will lose eligibility within the next few weeks.

ISM/EFS Position: The guaranteed education loan programs were intended to allow individuals from varied economic and educational backgrounds to pursue education beyond high school at institutions of their choosing. For many individuals this choice is for attendance at trade and technical schools, at least some of which are characterized by relatively high defaults. At the same time, some of the schools are fairly successful in placing students in employment when those students actually finish school. ISM/EFS believes that program provisions such as delayed disbursements which minimize federal risk should, given adequate time, result in markedly fewer defaults. We also support expanded powers for the Department of Education and the guarantors to limit, suspend and terminate abusive program participants.

Of the suggestions which have been offered, several made by Secretary Alexander appear promising. ISM/EFS supports graduated repayment as one such provision. Borrowers may better match income and anticipated income growth with graduated repayment. Accordingly, lenders should be given latitude in working with individual borrower circumstances in developing such plans.

2. LOAN SERVICER OVERSIGHT

Issue: Loan servicers can be created without substantial review of their capabilities or capacity. Lenders and secondary markets seeking assistance have only servicer reputation and servicing warranties to use as a means of evaluating proficiency unless they are willing to spend substantial sums on private audit reviews. Due to this lack of competitive information, many servicer selection decisions are made primarily on the basis of pricing.

Discussion: Servicing agency oversight occurs only as it pertains to a serviced client. If a lender is subject to audit, then its servicer is by extension audited on behalf of the lender. Many times (e.g. UES), servicing problems are not identified until damaging amounts of time have passed. Due to a lack of comparative evaluation criteria, pricing too often becomes the determinant in a serviced client's selection of servicers. The servicing industry is already subject to substantial regulatory control which is ineffective in preventing major servicing breakdowns. Servicing warranties are typically backed by insufficient financial strength and would be quickly dissipated in the event of any significant loss of loan guarantees.

ISM/EFS Position: We oppose further regulatory direction in regard to servicing activities. We support a standardized due diligence sampling process, as proposed by the Consumer Bankers Association, which permits servicers to obtain 100% principal and interest payments on all claims if such due diligence testing indicates at least a 95% compliance rate. We believe diligence testing could be easily automated and conducted at a frequency determined by the size of the servicer (e.g. larger servicers might be reviewed monthly with smaller servicers reviewed less frequently). This testing function would provide a qualitative evaluation factor for potential servicing clients and could save substantial costs for both servicers and guarantors in claims preparation and review. To the extent successful testing would provide a competitive advantage for servicers, this process would both encourage servicers to improve quality and reduce federal reinsurance costs because claims filed and subsequent claims payments, due to poor servicing practices would be reduced.

3. DUE-DILIGENCE REQUIREMENTS

Issue: The current due-diligence requirements in the loan programs as stated in CFR 682.411 require very specific collections and servicing actions at equally specific times. The penalty for errors is for the eligibility for loan guaranty and special allowance payments to be withdrawn.

Discussion: Many lenders have found the due-diligence requirements which became effective in March, 1987, to be very difficult to comply with resulting in substantial losses. In addition, even though the regulations are of considerable length taking over 60 pages as printed on the 11/10/86 Federal Register, extensive interpretation was needed as well. A total of five sets of questions and answers were issued by the Department, the last of which was not issued until after September, 1988. In the meantime, lenders, secondary markets and guarantors were required to struggle as well as they could to comply. In addition, procedures for correcting errors were not issued until March, 1988 with a period of interpretation required for these as well. To further compound the difficulty, the regulations were to interpret the Higher Education Act as reauthorized in 1980 even though the Act had again been reauthorized in 1986 with additional program revisions annually as a result of Budget agreements.

ISM/EFS Position: ISM/EFS believes there are better means available of assuring that lenders, servicers and secondary markets effectively service loans than the current prescriptive requirements. One such method has been proposed by the Consumer Bankers Association in which regular statistical samples would be taken of serviced accounts. Lenders that displayed a high level of servicing accuracy which in the CBA proposal was suggested to be 95%, would receive full payment on all claims with only a mathematical verification of amounts requested. Lenders with lower accuracy levels would have their claims subject to detailed due-diligence review as is the current practice.

ISM/EFS believes that the CBA proposal would provide appropriate incentives to lenders, secondary markets, servicers and guarantors in that all parties would enjoy lower operating costs so long as servicing accuracy levels were maintained. Lenders, servicers and secondary markets would be assured of full payment on all claims. Guarantors would not be required to review all claims, only those serviced by lenders with lower than allowed accuracy thereby lowering operating costs. Servicing accuracy could become a competitive point between servicers and secondary markets in that those servicers which consistently maintained high accuracy levels would enjoy a competitive advantage over less accurate servicers. Similarly, servicers would not be reluctant to attempt innovative, results oriented collections techniques out of concern for technical compliance liability. At a minimum, financial liability, which is now assessed for technical errors, should only be applicable in instances of servicer fraud or gross negligence. Accordingly, ISM/EFS supports both less prescriptive due-diligence requirements and suggests the CBA plan as a desirable model.

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4. MAINTAINING GUARANTOR SOLVENCY

Issue: The financial difficulties and subsequent insolvency of the Higher Education Assistance Foundation (HEAF) coupled with Departmental actions to take portions of Guarantors' reserves through "spend-down" has brought into question the ability of guarantors to meet obligations as well as the Department's role in assuring the validity of loan guarantees.

Discussion: Organizations such as Indiana Secondary Market raise funds for their operations through private credit markets. Of primary concern to potential lenders and investors in debt issued by ISM is the ability of the respective guarantors to meet obligations in a timely manner. Actions by the Department like the "spend-down" are unsettling and bring into question the solvency of the underlying guarantees, without which the financings cannot be completed. Legitimate concerns have been raised about potential recurrences of spend-down actions particularly in light of proposals to share risk for guarantor solvency with state governments or through increased insurance premiums. Of equal concern is the provision in the Higher Education Act that guarantors be required to act as "Lender of Last Resort" if students are unable to obtain loans.

A number of suggestions have been made for the state guarantors to share in the risk of loan guarantees through a reduction in guarantor reinsurance to less than 100% including proposals in the Administration's FY '92 Budget. Given that guarantors' reserves have already been reduced, further demands on guarantor resources may result in other guarantors becoming financially unable to meet their obligations. Equally troublesome is the suggestion in the '92 Budget that states provide full faith and credit backing of the designated guarantor.

ISM/EFS position: ISM/EFS believes that the existing reinsurance arrangement between the federal government and the guarantors provides adequate protection to the federal government through the current reinsurance formula. As suggested by the Consumer Bankers Association (CBA), the Department should establish a clear policy concerning its willingness to assume the responsibilities of a guarantor which is in financial distress. In addition, guarantors should be required to provide standardized financial reports which will allow solvency to be easily assessed. We do not support the requirement for states to provide a credit enhancement over and above the federal guarantee. Finally, we believe it is inappropriate for state agency guarantors to maintain functions of Last Resort lending.

5. LOAN GUARANTEE LEVELS AND LOAN YIELD

Issue: Proposals for less than 100% insurance have been made and will likely reappear as a means of encouraging greater collections efforts by lenders. In some proposals lender yields would also be lowered below the current level of Treasury Bill plus 3.25%.

Discussion: Lenders have already sustained losses of loan insurance as a result of overly strict enforcement of due-diligence regulations both in direct loss from non-payment of claims as well as the additional costs of redundant servicing activities. Lenders evaluate participation in all investment alternatives with consideration given to costs of funding and operations as well as risk of loss. These costs are used to arrive at a net return. Over recent years, some financial institutions have chosen to limit their participation in the loan programs as this assessment of net return indicated that the loan programs no longer afford adequate return in comparison with other available investment opportunities. Many more lenders may have chosen to no longer participate had organizations such servicers and secondary markets not been available to insulate lenders from the full impact of the regulations.

In addition, organizations which serve as sources of funding for entities such as ISM/EFS complete a similar analysis of net return in evaluating lending decisions. These organizations have many other competing requests for funding and will choose among the risk/return environments which offer the greatest likelihood of repayment.

ISM/EFS Position: ISM/EFS believes that the current level of lender guarantees must be maintained at 100% and lender yield must not be lowered below current levels to attract capital to this program

6. PLUS/SLS YIELDS

Issue: Borrower rates in the PLUS/SLS Program are now set once a year based on Treasury Bill rates in June. The loans are not eligible for special allowance until the borrower rate exceeds 12 per cent. It is possible that rates could increase rapidly after being set in June. The lender's or secondary market's cost of funds is likely to be adjusted more frequently than annually and a negative spread of yield versus cost of funds could occur.

Discussion: Potential investors in debt issued by ISM are aware of this rate risk and are now limiting the total amount of PLUS/SLS loans which can be purchased. A suggestion to correct this mismatch would be for PLUS/SLS rates to be adjusted quarterly.

ISM/EFS Position: ISM/EFS supports revising the terms of the PLUS/SLS program to require borrower rates to be revised more frequently than annually.

7. 8%/10% PROVISION IN STAFFORD PROGRAM

Issue: Current provisions in the Stafford Program call for the borrower interest rate to increase to 10% at the beginning of the fifth year of repayment. Prior to that time, the borrowers' rate is 8 per cent. In addition, lenders are required to annually refund a portion of interest to borrowers should the 10% rate exceed T'Bill plus 3.25%.

Discussion: This mid-repayment term change in rate and potential annual refund can be expected to result in a number of operational difficulties for lenders. Computer programming to identify the beginning of the fifth year and to determine if a refund is owed have proven to be difficult.

ISM/EFS Position: ISM/EFS supports the elimination of the rebate provision in that it adds unnecessary complexity. A rate of 10% still affords borrowers a less than market rate loan.

8. DIRECT LENDING

Issue: A number of organizations and individuals have suggested replacing the Stafford Program with a loan program administered directly through participating schools. Most of the suggested programs envision funding to be provided by the U.S. Treasury with the Department to be the owner. Schools would receive a handling fee and servicing of the loans would be performed by third parties.

Discussion: Many of those supporting the direct loan idea have done so out of a desire to simplify the lending process and because current budgetary accounting would make direct loans appear to be less expensive than the current Stafford Loan Program. There are, however, a number of operational and funding difficulties associated with direct loans, three of which were well stated in Secretary Alexander's recent letter to Representative Ford. These included the significant funding demands placed on the Treasury to replace the current approximately $12 billion of capital which is annually provided through private sources. The Secretary estimated that this amount may be as much as $200 to $300 billion over the next 20 years with amounts returned through repayment over this same period "not material". The Secretary also noted that a direct loan program would place the Department entirely at risk for the amounts advanced in comparison to the current reinsurance arrangement which reduces the Department's obligation to as low as 80% in instances of defaults over 9% in any given year. Finally, the Secretary notes that the administration of such a wide-reaching program is currently beyond the Department's ability.

ISM/EFS would also like to note that the proposals do not address the issue of participation by relatively higher-default schools such as proprietary schools. In addition, a number of assumptions have been made concerning the implementation of the program which may prove to be very difficult to accomplish such as the need for a national data base of borrowers. Finally, the on-going administration of the existing pool of outstanding Stafford loans which may be as much as $50 billion is not addressed in either the estimates of cost which have accompanied the proposals or the discussion concerning administration of the programs.

ISM/EFS Position: ISM/EFS believes that the current Stafford program has done an excellent job of providing the service it was intended to provide which is to raise private capital and get this capital in the hands of eligible students. Solutions to perceived problems with the current program such as the level of defaults can be dealt with through less drastic program revisions. Accordingly, ISM/EFS does not support the development of a direct loan program as a replacement for the Stafford Loan Program.

9. LOANS TO MIDDLE INCOME STUDENTS

Issue: Stafford Loans are currently limited to borrowers who demonstrate financial need through an extensive needs analysis that considers family income, assets, school expense and the number of family members enrolled. Consequently, many students from middle income families are no longer eligible to borrow.

Discussion: Prior to 1981, students from families at all income levels could obtain guaranteed student loans although payment of interest was a borrower obligation rather than being eligible for in-school interest benefits. Beginning in 1981, such students could not borrow in the Stafford Program, although the parents of these students could obtain PLUS loans. Graduate and professional students could obtain SLS loans. Undergraduate students, however, can only obtain SLS loans if they qualify as independent students or if the school's financial aid official can document that the borrower's parents are unable to borrow.

The National Council of Higher Education Loan Programs has suggested that students from families at all income and asset levels be allowed to borrow. The payment of interest would be a borrower obligation. In-school interest payments for needy students should be continued, in that assistance at this time is when relatively less affluent students most need help. Students not qualifying for in-school subsidy would pay interest amounts as they come due.

ISM/EFS Position: ISM/EFS supports extending Stafford Loans to borrowers at all income and family asset levels. Lenders would readily accept these loans and make funds available in that loans to middle income students have, in the past, proven to be less troublesome and expensive to service. Default costs would also be considerably less because middle income borrowers tend to default less frequently than lower income borrowers. ISM believes that access to the Stafford Program could be substantially expanded without a significant increase in total costs.

10. INCREASED BORROWING LIMITS IN THE STAFFORD PROGRAM

Issue: The 1986 reauthorization of the Higher Education Act increased borrowing limits, especially for students beyond the first two years of school. Borrowing limits in the Stafford Program increased from $2500 to $2625 for first and second year undergraduate students and from $2500 to $4000 for third and fourth year undergraduates. Graduate student annual limits were increased from $5000 to $7500. Total borrowing limits were increased from $12,500 to $17,250 and from $25,000 to $54,750 for undergraduate and graduate students respectively. School costs, however, have increased more rapidly. Higher loan limits may be needed in order to better match student need with available aid.

Discussion: A number of entities including the Administration and the National Council of Higher Education Loan Programs have suggested increasing amounts borrowers in the Stafford Program may obtain. Most suggestions have raised limits with the exception of first year borrowers in an effort to minimize additional default expense.

ISM/EFS Position: ISM/EFS supports increased borrowing limits in an effort to more realistically provide levels of aid as needed.

11. DEFERMENT SIMPLIFICATION

Issue: Currently, borrowers in the Stafford Program may be eligible for one or more of eleven possible deferments as described in the Higher Education Act. The ability of students to understand all of these provisions as well as lenders' ability to explain and effectively offer the deferments suggests that the program's purpose may be better served if fewer, more inclusive deferments were offered.

Discussion: The purpose of the deferment provisions is to recognize that many borrowers may face temporary circumstances which prevent them from repaying their loans even though the borrowers fully intend to repay. During periods of approved eligibility, interest is paid on behalf of borrowers by the Department. Lenders may also offer borrowers in similar circumstances forbearance although the payment of interest remains a borrower obligation.

In an effort to describe a wide range of borrower circumstances in which deferment is authorized, the current Act states eleven different borrower situations as varied as the return to school or the entry to the workforce of a mother of a preschool age child. It is very doubtful that borrowers understand all the possible deferment options possibly available to them although this information is included in the application package. Likewise, lenders may have considerable difficulty explaining and documenting the various provisions. Some borrowers may not be given the full benefit to which they are entitled simply due to the complexity of the terms.

ISM/EFS Position: ISM/EFS along with many other lender and school groups such as the Consumer Bankers Association (CBA), the National Council of Higher Education Loan Programs (NCHELP), and National Association of Student Financial Aid Administrators (NASFAA), supports the simplification of the deferment process through the combination of the various deferments into fewer, more-inclusive deferments. We believe the new deferments should be structured so that all existing borrowers will be qualified. In so doing, lenders and servicers will not need to determine eligibility based on "old borrower/new borrower" categories that would result if the new deferments did not cover past eligibility circumstances.

12. PROPOSED RESTRICTIONS IN SALES OF LOANS

Issue: The Senate Permanent Subcommittee on Investigations following its inquiry into the operations of the loan programs, suggested that loans not be allowed to be sold until fully-disbursed. The report envisioned communications difficulties for borrowers when loans were sold and the servicing transferred prior to all funds being advanced.

Discussion: Difficulties concerning refunds and cancellations as well as borrower communications could occur if loans were sold prior to being fully disbursed. ISM's view is that in instances when the servicing does not change, no harm is done the borrower or the programs when a sale is completed. ISM offers a very popular program called Hometown Lender in which ISM's affiliate servicer, Education Financial Services of Indiana, Inc. (EFS) provides lenders with disbursement assistance with the loans to be sold immediately following the first disbursement. EFS completes the second disbursement on behalf of ISM and the original lender. The servicing does not change.

ISM/EFS Position: Hometown Lender is offered in an environment in which ISM/EFS has seen fewer and fewer, independent, community-based lenders who are willing to deal with the complexity of the loan programs. This service allows local lenders to continue to offer the loans as a customer service with a minimal amount of technical involvement by the lender and should not be disrupted in an effort to deal with unrelated problems.

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13. LOAN CONSOLIDATION PROGRAM

Issue: The 1986 reauthorization of the Higher Education Act included a provision for borrowers with loans held by several lenders or loans in a number of loan programs to combine these debts into a single obligation and in some instances obtain longer repayment terms and lower monthly payments. Borrowers with relatively high indebtedness may obtain longer repayment terms and lower monthly payments as well.

Discussion: While Consolidation as authorized affords a number of distinct advantages to borrowers, several difficulties are occasionally encountered. One such difficulty is that a borrower's loans may be split between lenders or servicers as a result of the lender's need to deal with several organizations. This is a different situation than borrowers who intentionally borrow from more than one organization. In these instances, ISM believes that borrowers should be able to obtain consolidation at all levels of debt (versus the current $5000 minimum) and the interest rate should not be increased (consolidation is usually at 9% while borrower original rates may be only 7% or 8 per cent). There are many legitimate reason why lenders and schools need the freedom to deal with multiple organizations. Borrowers, however, should not be penalized in these instances.

ISM/EFS Position: ISM/EFS believes that consolidation is an important tool to enable borrowers to more easily repay their loans. Accordingly, impediments should be removed which might discourage borrowers from pursuing the advantages of this program.

Chairman ROEMER. Thank you, Mr. Clinton. I would like to thank the entire panel for your testimony. You have convinced me that you get into the minutia and the detail of these programs. There is no disrespect intended for the previous panels, but you can tell that this panel has worked on these programs and are very concerned about the viability and the access for students to these programs in the future. I thank you for this expert testimony.

Mr. Clinton, we are attempting to address the default rates with proprietary schools, trade schools and other institutions of higher education. We seek to have this balance and be judicious in trying to come up with some cures to address a default rate that is depriving monies in some senses to middle-class or low-income people.

We are having problems devising a way to do this. The problem, as you say, is getting a little bit better. In your testimony, you say that you are encouraged by the success lately. However, we still have testimony before our committee about some schools providing truck driving course for students without trucks, computer schools that do not have computers, thereby really depriving some of our most economically deprived people from higher education and from success at a vocational or a trade school.

One of the things that Congress devised to try to address this was a provision that stated that if a school had a 35 percent default rate over a three-year period, it would become ineligible for certain aid programs. Do you think it is one of the reasons for attributing some success to addressing the default rate? What are some other solutions that we might attempt to utilize without unfairly striking out at some of the proprietary schools?

Mr. CLINTON. I think the 35 percent default rate certainly addresses an overall issue, along with the exceptions that the law permits for minority areas, traditionally, minority schools and Indian schools. There is also an appeal process, and since we have just started into this, we are anxiously awaiting how the appeal process will function and how effective it will be in continuing to keep abusive schools out of the process while retaining schools that are serving a very disadvantaged group. It is a tricky equation there.

I think that the basis of the problem and the basis of the solution, though, is not an overall broad default rate standard. I think it is more of providing incentives to the local organizations, the guarantors, the lenders, and the secondary markets to police what is happening.

We found over the past year when we have really made an effort to look at the schools whose students were receiving loans made by lenders who work with us, when we have seen an increase in loan defaults from a particular school, we have gone back to the lender and we have said here is what we have seen, here are the default statistics we have been able to gather from the guarantors. You make a decision, Mr. Lender. Do you want to continue to support lending to this school or not?

More times than not, in a situation where——

Chairman ROEMER. At what point do you go to them with that, Mr. Clinton? When do you approach them?

Mr. CLINTON. There are any number of triggers and it is not only tied to default.

Chairman ROEMER. Is there a uniform trigger where you automatically will approach a lender?

Mr. CLINTON. If we have a lender who all of a sudden starts lending dramatically increased numbers of loans to a particular school, we will take a real hard look at it because we have found in the past that the abuse of situations typically start out that way. It may be a school that has been going for years, doing a very fine job of educating people. Then all of a sudden, it will change ownership or change management in some fashion; and we will see a very significant upswing in loan volume going to that school.

To protect ourselves, as well as everyone else involved in this process, we feel that it is very important to get back and advise a lender what is going on there. The lender may not be aware and the president of the bank may not be aware of what is happening, and we found that to be very effective.

We also work with guarantors who are reviewing these schools and they are working with the schools to try to straighten things out. United Student Aid Funds, which is based in Indianapolis, at times, I understand, places a limitation, a dollar limitation on new proprietary schools on the amount of loans that they will guarantee until they see what happens.

The trouble with the 35 percent default trigger for elimination is that you have to wait a long period of time, and an awful lot of abuse can occur before you have what you need to stop it. So I think it is real important, and in fact, in this limitation process that I just described that USA Funds has used in a few instances, they were fought by the Department of Education in using that process just until recently, I believe, when the department finally reversed itself and said sure, that is not a bad idea.

I think that that has prevented them from going down the same path that another large national guarantor has gone in terms of just throwing the doors wide open and creating an enormous amount of defaults.

So I think there are things that can be done at the local level. I am not sure exactly how you approach the statute, other than to perhaps give the Department of Education a mandate and a message to allow these types of judgmental decisions to be made at the local level.

Chairman ROEMER. Thank you. Dr. Greenkorn, I am very interested in what you had to say about FIPSE. At a hearing yesterday, I learned a great deal about a program that I knew only in general terms.

One of the things I learned about it was that it seems to be underfunded. There have been recommendations to increase the funding to $25 million from the $15 million level and as you mentioned, to authorize a $5 million authorization for grants in new areas.

In your experience with FIPSE, one of the disturbing things that we found out, as well, was not just the paucity of funding for it, but that out of 2,000 applications, only 65 applications were funded.

Could you comment on FIPSE in a little more detail? What exactly would the new fund would accomplish for your university? How can universities have better access to available funds?

Mr. GREENKORN. Well, I think there are several things. First of all, the objective as I understand FIPSE is, of course, to come up

with new ways to help postsecondary education. That is why it is in the act. The number of grants that result from the number of proposals is extremely small, and perhaps I am making an assumption in that there are some good grants among those that were unable to be funded.

Also, we found in the third comment I made that the results of experiments or research into these areas are not shared with other people. One of the problems, at least as I look at it, is that there should be an opportunity for people to disseminate. That is the reason I put that in there in the third part to evaluate and disseminate successful programs. There does not seem to be a follow-through on the system, and I think that is one of the reasons I put it.

The objective in improving rates of students in study abroad programs is one of my areas of responsibility at Purdue international programs. The number of students we have in study abroad is dismally low considering the current attitude that our economic independence and the future depends on our knowledge of the world, itself. It seems that we have to improve our study abroad programs significantly, and we have to do it in a way that does not cause the universities and colleges to go broke in the process. I think we need a lot of investigation on how to accomplish a better study abroad program at this point in time.

So those two areas to me are very important, and I think it a unique part of the act to have that kind of program involved. I do not know how it got in there in the first place. I am sure you do. But it certainly, from our point of view based on the usual comment about proposal pressure, is underfunded. There are many things that can be utilized to improve that.

Chairman ROEMER. Any estimates, Doctor, as to if we increase from $15 to $25 million with the $5 million discretionary fund, how that increase will affect the number of grants that are awarded? Do we have any information on that?

Mr. GREENKORN. Well, I do not have a dimension on it. Some of these numbers, as you probably realize having just been on the hearing, come up from a lot of people discussing the issue. In this case, several university groups have looked it. The five million seems like a rational number considering the size of the program at this point in time. You can say what is rational. I do not know if a 20 percent increase is rational, but that seems like it is reasonable. Again, it does not even come close to the proposal pressure. It does not even come close.

Chairman ROEMER. Thank you. Ms. Nucciarone, if I could ask you a question on page three of your testimony. This is a difficult question and maybe one you can work with me on in the future if you do not have an immediate response to it. You talk about the loan levels and encourage Congress to adopt a more realistic repayment schedule.

Do you have some examples? Have you thought about any kind of recommendations that you could give to us for a more realistic repayment schedule that would more accurately reflect both a student's salary level and their ability to repay at a fair rate rather than going into default?

Ms. NUCCIARONE. I think particularly at St. Mary's we have a lot of students in teaching professions, and we encourage a lot of our students to go into social service areas which are so low. One of the areas that I really oversee is student loans. I have heard some of those young women come back and just say I just cannot even pay $150 a month.

I think perhaps as Dr. Greenkorn suggested, maybe a 15-year repayment to bring that down would assist them so that it would be more of $100 per month for those kind of people rather than $150. When you are combining all of those different loans or if you look at some of the consolidation programs, what they do, they do have the graduated repayment. But some of the students that we have are only borrowing in the Stafford, so they are not really eligible to consolidate anything. There is nothing there to consolidate.

But I think if you took an idea from the consolidation and allow that student the gradual repayment at, for instance, 45 months at $75 and then graduate it that way, I think that may assist some of the students that we are seeing and that we are hearing from that just cannot make the payments. They are moving into the west and east coast and they can barely cover rental costs to their units, and then they are trying to make car payments and loan payments, and they do not have anything left over at the end of the month.

Chairman ROEMER. As you were starting to address my question, I saw a lot of people in the audience turn to each other and start whispering back and forth. I think a lot of people in our community and throughout the United States share the concern about a fair repayment schedule. I know that Sally and I have talked about it a lot. We are still paying on a student loan.

I appreciate your insights, and if you would continue to work with us and give us ideas in that respect, we would appreciate it.

Joe, I have a quick question, then I will let my colleagues ask some questions too. On page four of your testimony, you say, "In reviewing the future of the Student Loan Program, Congress needs to recognize that increased borrowing opportunities are needed by families and that annual borrowing, as well as aggregate limits, need to be adjusted to reflect rising costs."

Do you have some specific recommendations in this area for the committee?

Mr. RUSSO. Yes, I do. Certainly any amount that would be increased would be appreciated. But currently, freshmen and sophomores are allowed to borrow to $2,625. That limit has been for several years. I think with rising costs, it could be increased easily to $3,500 at a minimum for freshmen and sophomores. Juniors and seniors have a limitation currently of $4,000, and I think that could easily go to $5,000. Graduate and professional students currently have a $7,500 limit, and I think I could see that easily going to $10,000.

Chairman ROEMER. That was an easy question for you. You were prepared for that one, Joe. I will let my colleagues continue the line of questioning. Representative Klug, do you have any questions?

Mr. KLUG. If I can. Let me ask Dr. Greenkorn. One of the major concerns at the University of Wisconsin is the fact that many of the science and research facilities—and as the director of research,

this is obviously in your area of concern. The facilities do physics, biology, and chemistry research. Many of them were built at the end of the Sputnik era in the sixties. They are getting old. The cost of retro-fitting those laboratories and redoing that equipment are in many cases prohibitive.

Is that an area that you would like to see expanded? Obviously, there are some provisions in the Higher Education Act and there is also the NSF Foundation money.

Mr. GREENKORN. I do not think there is any doubt that the research facilities in this country are disintegrating, I guess is the best way to put it. Whether or not this belongs in one department or spread across a set of departments, I think, is an issue that has not been faced very well. I realize that the National Science Foundation has, I guess, had thrust upon it some of these programs several times and has parried that thrust. I do not quite know what the reason is. I believe it is because they do not feel the program is big enough nor directed enough at the specific things that have to be done.

As you know, there have been two very major facility studies in the last 3 years. I am sort of in the middle on this. I feel that at the larger research universities, the facilities in terms of walls and floors are probably all right. What is missing are the things that go inside the walls and floors, which are the instrumentation, itself.

Some people put those two things together. In fact, the current NSF legislation does, in fact, collapse those two things together. So I guess I am talking around the question. Yes, I think facilities funding is very important. I think we should be looking at it as a continual cost rather than a single fix. I do not think it is possible to single fix it, but I think it is a broader issue. I think it is an issue of instrumentation. I think it is something that is a program we should be looking at just as a continual cost. I do not know any other way to state it.

Mr. KLUG. Do you see it as part of a crisis most of the universities are going to face with faculty members retiring, that there simply will not be the science facilities.

Mr. GREENKORN. I think that is correct. I think the big jump in research, as you say, took place in the post-Sputnik era, and that is when the large funding took place. That was 30 years ago, and things are wearing out.

Mr. KLUG. Let me go back to something somebody on the earlier panel said. Dr. Cohen raised concerns that for non-traditional students and eligibility in the Stafford Loan Program, that if people are less than half-time students, they are not able to take Stafford loans out; or they can take them out but cannot defer payments on them.

I guess I am concerned that if we somehow change that eligibility, if you just kind of keep taking a course a semester, can you drag out the repayment plan forever. Any thoughts on how we address his needs but at the same time prevent that loan deferment process?

Mr. RUSSO. I, for one, would think that restricting loans for less than half-time people is not an unreasonable approach to saving some money if they are looking for saving money, especially as you indicate that these individuals may be in school for years at the

cost of the government's subsidization of their loans. I have always found it interesting that student loans are available. I mean, the original idea was to finance a higher education.

If a person is not a full-time student, then there are supposedly a full-time something else, maybe working or whatever. If we try to compare borrowing in any other mode, if you wanted to go to the bank and borrow money for a car, you would not ask for money for the gas that you are going to use over the period of years you are going to drive the car. You would not ask for money for the insurance that you are going to have to pay or the upkeep of the car or repairs. You just ask for the purchase of the car.

It has really become very interesting in our expansion of student aid that we have been able to somehow justify even for less than full-time and less than half-time students all kinds of other expenses that do not relate directly to the cost of tuition of educating that student.

So I do not think it is unreasonable to maybe examine that issue and see whether we could save some money in this program by limiting the subsidization of less than half-time students while they are pursuing their educations. Certainly, they have a right to pursue it and look for help; but whether this is exactly the right way, I am not sure.

Chairman ROEMER. I saw you nodding your head as he was talking.

Ms. NUCCIARONE. I would agree. I really do not have anything to add. I would agree with what you said.

Mr. CLINTON. Can I add a comment? I think part of Dr. Cohen's comment had to do with the fact that if a student fell below half-time for more than the grace period on the student loan, then they went into repayment and had to maintain a full-time status from that point forward. I think that is a bit of an issue.

Back in the old days, back in the early eighties and the seventies when we had nine-month grace periods, we did not have this issue because if a student dropped out for a semester, that 9 months would cover them. They could come back to school and did not have to maintain an absolute full-time work load in order to stay in a deferred status. So they were considered to be continuing student during that nine-month grace period.

So it is a bit of an issue for people who go home for a semester, that are not quite mature enough for college or whatever and go home for a semester and then come back because if there is more than a six-month period in there, we, as a servicer, put them into repayment and then we are hounding them to repay their loans when they are trying to get back into school to finish their education.

Mr. KLUG. Once they go back in, does the deferral period continue, or do they have to actually pay on the amount of money they have already borrowed?

Mr. CLINTON. It does if they maintain a full-time status; but if they drop below full-time, still above half-time, they are still eligible to get a loan because they are above half-time; but they are not eligible to not repay the first loan.

Mr. KLUG. Do you have any data to suggest that those students do not go back because of that burden and/or they have a higher default rate?

Mr. CLINTON. Well, I do not personally have any, but I have heard of data that suggests that low-income individuals stay away from college because of financial considerations. This would just be one of them, I am sure. I had a niece that this happened to, as a matter of fact, and it kept her away from school for a couple of years.

Mr. KLUG. We just finished a case in my district where somebody's mother was sick with cancer and he had to take a semester off and suddenly was shocked to find he was starting to get bills to start paying his loan when he intended for this just to be a window to help the family out for a short time. Thank you.

Chairman ROEMER. Thank you, Mr. Klug. Mr. Andrews?

Mr. ANDREWS. Thank you, Mr. Chairman. Ms. Nucciarone—did I pronounce your name right?

Ms. NUCCIARONE. Close enough.

Mr. ANDREWS. That was the proper pronunciation.

Ms. NUCCIARONE. Nucciarone.

Mr. ANDREWS. Nucciarone, as in New Jersey; and I should know that. I wanted to ask you about your thoughts on home equity and the needs assessment. I was interested in that. Many of my constituents, and I know Tim has told me his, as well, are frustrated by the formula that essentially says if you own a home, you are not eligible. Increasingly, if you have any savings in the form of home equity, you are out when it comes to Federal financial aid.

What do you think would be a more fair and rational way to handle home equity in the needs calculation?

Ms. NUCCIARONE. I really feel that there does need to be a limitation on it. I think more and more this year, we have heard from families the statement they want me to sell everything for my kid to go to school or they just want me to go bankrupt for my child to go to school. They always ask us what is it that you want me to do. Do you want me to give you my house?

Perhaps even in the methodology, if you address it from the methodology standpoint, if you protect even more of the assets through the asset protection allowance in the formula, itself. Sometimes I wonder. We have the standard maintenance allowance in the formula, which is kind of a joke when you look at the cost of really maintaining a household versus the allowances that we give them in the formula. Perhaps we could adjust even the asset protection allowance in that respect.

As far as limitation, I do not know if it is a dollar-wise or a percentage-wise; but I think we need to address that.

Mr. ANDREWS. If any other would care to comment on that. My own approach to this does not express it quantitatively but qualitatively. Most people look at their savings in their home as a retirement fund. I think that is the way Americans typically think of their home equity. I do not think it is wise or correct to make people choose between their retirement or educating their children.

Ms. NUCCIARONE. And I think that is what we are hearing more and more in our offices. People are saying, or they have just come off of educating four or five other children and here is their last

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child. They have maybe 5 years to earn more, and all they have left is this home. When you tell them that their parent contribution is now $20,000 just because they happen to live in Chicago or New Jersey because their home is worth $300,000 on paper.

Mr. ANDREWS. And you may typically have a situation where the parents may be late fifties or early sixties, nearing the end of their work life. There are three children already gone through and educated and child number four, you are right, is in that situation. And the parent looks at that and says wait a minute. You know, I cannot take a home equity loan that is going to increase my household budget because 2 years from now, I am going to be retired and I am going to only have 30 percent of the income that I have today. That strikes me as a problem that we are hearing across the country and I have heard in the hearings.

Let me ask the other members of the panel, starting with Mr. Russo. I appreciate the clarity of your answers earlier, too. That is a rare thing for us in Washington to hear someone answer a question so clearly. What is your position on the issue of direct lending, if you have one?

Mr. RUSSO. I know that is a major issue in Washington these days and that there are a number of institutions, particularly members of the Big Ten here in the Midwest who are espousing it. I believe the administration has backed off somewhat from its earlier posture. Certainly, it seems to have a lot of positive features if we can believe some of the suggested consequences of price savings by eliminating the intermediaries in the process, so to speak.

I am not sure that every institution in the country that is involved with student loans is in a position to assume the responsibility that is currently being carried out by the middleman, so to speak. Certainly there are schools that can do it. Whether they want to do it or not, or whether they would employ agents to do it, I think would be an interesting question.

Certainly, that would be something we would look at. We are not necessarily interested in——

Mr. ANDREWS. What if we structured the law to give the institution that choice? If Notre Dame could choose to either administer the fund or contract with an agency to administer it for them?

Mr. RUSSO. I would be interested in what kind of latitude I would have in negotiating those kinds of provisions. Would I be allowed to go to any lender in the country to get my own money, or would I have to take money from the government? If the University of Notre Dame could get together with several other institutions of similar kind and approach a lender, perhaps we could do a better bit of bargaining for our rates and so forth and also servicing of the loans afterwards.

So we may wind up very much in the same posture that we are now. It would be transparent, perhaps, to the borrowers. But I do not believe the University of Notre Dame currently would look with a lot of enthusiasm into certainly making money this way—that is not what we are all about.

Mr. ANDREWS. No.

Mr. RUSSO. But getting into billing and servicing the loans for the years and years and years that have to go on dealing with the very many difficult considerations that a person like Steve Clinton

and his organization have to deal with or that lenders have to deal with, we would probably farm that out to somebody.

Mr. ANDREWS. One of the ideas, Mr. Russo, that we are looking at in the legislation is empowering institutions to form consortia for just that purpose, giving institutions the opportunity to form together, mutually select on whatever basis they, in their discretion, deem appropriate a servicing agency or a funding agency by which to do that. Our interest is to maximize the amount of discretion for on-campus experts and minimize the amount of bureaucratic intrusion into that, which I think would be good.

Dr. Greenkorn, a pilot program you suggest for direct lending: What should the scope of the pilot be? How should it be evaluated, and who should run it?

Mr. GREENKORN. Well, I guess first I am from the Big Ten, so I have taken a step back from the statement from Joe made. I think you need a program large enough that it has meaning. I do not know what that means. Maybe one of your consortia of 10 or 12 major universities is large enough. And you have got to run it long enough so that the students get through the program. I would say 4 years or so.

I guess what metric you would use to evaluate it, somehow you have got to look at it economically. I do not know what the correct economic measure is. As Joe has intimated, probably what would happen at most institutions is that you would eliminate the bureaucracy, some of it in Washington; and you would increase it at your home base because you would need some additional people to do it. I guess it would be a combination of some sort of a cost model and measuring it against it. That is what I would suggest.

Mr. ANDREWS. I appreciate that. Finally, Mr. Clinton, I am well aware of the fact that the State guarantee agencies are very often one of the strengths of the financial aid system. Those of us who are interested in direct lending do not evidence that interest out of a sense of disrespect for the State guarantee agencies, but more so out of a desire to stretch existing taxpayer dollars more broadly and to make aid more broadly available to more families.

In appendix eight of your written statement, the issue statement, I suppose, of your national association is duplicated. One of the reasons that is given for the association's opposition to direct lending is that it would require the Treasury to replace the current approximately $12 billion of capital which is annually provided through private sources.

Is it really, in your judgement as a financial industry expert, professional, such a burden on the Treasury to borrow an additional $12 billion a year when the Treasury is borrowing hundreds of billion dollars a year for general governmental purposes already?

Mr. CLINTON. Well, I guess it depends on how you define it. If under the current budget rules, I understand it would not be considered to be added to the deficit.

Mr. ANDREWS. That is correct because of the credit accounting changes in 1990.

Mr. CLINTON. Given the fact that it is not categorized that way, I guess you can make the position that it does not cost as much as money which is guaranteed and subsidies paid on behalf of money. It does add to the Federal debt and it adds a considerable amount

over time, as I think Secretary Alexander pointed out. It also dismantles pieces of a process that have been developed over 25 years and which admittedly have some warts on them.

I think it is much smarter to take those processes that exist already and try to refine them further. One of the problems—and you really have to reach back, and Tom I think probably can make this trip down memory lane with me. In the mid-seventies, the Fiscal Program, which was a very centralized, federally insured student loan program—there were school lenders under that program; and there were, I think, widespread problems with that.

The administration of the program from the Department of Education, what was the U.S. Office of Education at that time—I was there at that time—left an awful lot to be desired. The program was abused. Some of the abuses we see today existed then, and existed then in large numbers. The program evolved into this locally based guarantee agency program in the late seventies, and I think was well served by that.

But getting back to the question of direct lending, the biggest question in my mind about that whole concept is what do you do about the broad spectrum of educational institutions? A Notre Dame could easily come up with the money or come up with the expertise, or an Indiana University, or a Purdue University could easily come up with the expertise to administer a loan program. But what do you do with Indiana Vocational Technical College? Do they have the ability to do that? Perhaps.

All right. You move down a little bit further and you get into the vocational schools and you get into the proprietary schools. What happens there?

Mr. ANDREWS. Some of us might suggest that you would take the substantial savings by avoiding the higher cost of acquiring the money, by avoiding the commitment fees and other fees administratively charged by the banks and apply those savings to fund more administrative capacity at those schools.

Let me just conclude with this question in common-sense English. We had testimony in Washington. This is from the Consumer Bankers' Association, so I think it may understate the spread: That the typical spread between the government's cost of acquiring funds and the banks' cost of acquiring funds is anywhere from 80 to 120 basis points. That is from them, from the Consumer Bankers' Association, meaning that the interest rate is anywhere from .8 percent to 1.2 percent lower on the government's cost of acquiring funds.

How do I answer a constituent, a business person, who comes up to me at home and says, Congressman, you were given an opportunity to restructure the Student Loan Program in such a way that the dollars that are eventually being loaned to students can be acquired at a cost anywhere from .8 percent to 1.2 percent cheaper than they are now, which either lets me service the same loans at a lower level of Federal appropriation or make more loans at the same level of Federal appropriation. Why did you not do that? What is my answer?

Mr. CLINTON. Well, you are taking a very complicated process and encapsulating it in one little part there. If you take cost of funds in the private loan industry and compare that to the Federal

cost of funds, that is one thing. There are clearly savings there. But if you look at administrative expenses involved all the way across the board for a centralized program like that, the potential for increased abuse, the potential for increased default problems, I think that you might find that the cost savings are illusory. I really do not think that they are there.

Mr. ANDREWS. Why should we not have a pilot program to find that out then?

Mr. CLINTON. I would encourage that.

Mr. ANDREWS. Okay.

Mr. CLINTON. I think that that is a wise way to look at it.

Mr. ANDREWS. Thank you very much.

Chairman ROEMER. Thank you, Mr. Andrews. I would like to thank each and every one of you for your expert testimony this morning. Many of your answers, as Congressman Andrews said, were not only clear and concise, but lead to many other interesting questions for us to pursue.

Again, we thank you for your time, your insight and your advice to this committee and to Washington, DC, to try to improve the Higher Education Act in the reauthorization process.

I would like to welcome our fourth panel to this morning's hearing. The fourth panel is The Challenge for Higher Education: The State, Business and Students Speak Out.

I would like to welcome our witnesses this morning. They have their specific stories to tell, obviously. In many ways, this panel could be the most interesting panel of the day because of their own personal experiences. Again, let me just reiterate for those of you may not have been present when we opened the hearing this morning that your entire testimony will be entered into the record. If there are some specific things that you want to recount or talk about, please feel free to do that.

I would like to welcome Karen Rasmussen, the Assistant Commissioner, State of Indiana Commission for Higher Education; Cleo Washington, an attorney in town who has had a great deal of experience with the TRIO Program; Mr. John Schulz with Miles Laboratories, Vice-President of Human Resources; Ms. Amelia Munoz who has a very interesting story to tell; and Mrs. Diana Heidt, who also will be relaying to the committee and to Congress through this field hearing her experiences with financial aid programs.

With that, I would like to start with Karen Rasmussen and also apologize for Mr. Klug, who had to catch a plane back to his district. He was here as long as he could be. A very important appointment back in Wisconsin beckoned him, so we are grateful we have Mr. Andrews still here.

Mr. ANDREWS. I thought you were going to say you were going to apologize for my still being here.

Chairman ROEMER. I may end up doing that, Congressman. Karen, if you could start off, that would be great.

STATEMENT OF KAREN RASMUSSEN, ASSISTANT COMMISSIONER, STATE OF INDIANA COMMISSION FOR HIGHER EDUCATION, INDIANAPOLIS, INDIANA

Ms. RASMUSSEN. Thank you, Congressman Roemer and Congressman Andrews. I represent the Indiana Commission for Higher Education, and I want to tell you about an Indiana program that encourages young people to aspire to postsecondary education and then provides information and advice about how to make those aspirations come true.

To me, the program looks like a model for the early awareness programs that increasingly are described as essential for the Nation to develop. I hope that in about 4 minutes, you, too, will think that we have a program worthy of attention. I have more information to share after the hearing with anyone who might be interested.

Our program is called the Indiana College Placement and Assessment Center, which is a mouthful, so it is better known as either the Assessment Center or ICPAC. You need to know that the Assessment Center assesses in an atypical way. It communicates directly with almost every high school student in the State and with any interested adult about the value and affordability of postsecondary education.

I.C.P.A.C. assumes that every student and adult should aspire and can succeed in jobs or at school. Guidance and encouragement might be needed, but these are things that ICPAC does very well.

The Assessment Center is a State funded service for high school students and their parents. For the most part, it works directly with families and avoids bureaucracies. It also uses more than one medium, each of which reinforces the other. Last year, the 1990–91 school year, the Assessment Center communicated by mail with some 260,000 Indiana students in grades 9 through 12 and their parents at a cost of somewhere between $3 and $4 per child.

Mailings included newsletters, some containing letters to the children from Governor Evan Bayh, surveys and planning materials. The planners are grade specific, a very basic for grade 9; much more activity oriented for grade 11, and focused in grade 12 entirely on financial aid.

Also, last year ICPAC maintained its toll-free hotline and responded to more than 20,000 contacts from people seeking information about postsecondary education and careers. A third medium is electronic, called PLAN, the Postsecondary Linkage and Assessment Network, in which all of the other information, the print information and the question asking and answering capacity, is available online to whomever has access to computers and modems.

As time goes by, this electronic dimension could become increasingly central to ICPAC operations. I might mention that this technological aspect of ICPAC, both the hotline and the computer base plan, has been partly supported by a separate grant from Indiana Secondary Markets. Steve Clinton was here about 10 minutes ago speaking to you.

Nationally, much of the attention being given to early awareness programs arises from a desire to create more first-generation college students. Indiana is a low college participation State and

ICPAC, therefore, pays particular attention to what you might call at-risk students, students who, if they did go on, would be first-generation college or first-generation postsecondary.

The Assessment Center surveys ninth graders about postsecondary aspirations and concerns and replies with information tailored to what respondents have said. It also uses survey information to identify students who might benefit from special attention and provides those names to local postsecondary encouragement programs. I might mention there is one centered in North Central Indiana, which Notre Dame and Ivy Tech South Bend strongly participate in.

On request, the Assessment Center provides information pieces at no charge on such subjects as how to study, what to do if you are a late bloomer, or why math matters. Finally, it sends parents reports that connect their children's aspirations with achievement test scores in reading, language, arts and mathematics, reports that focus entirely on how performance might be improved and assume that everyone can do better.

Does ICPAC work? Well, it is probably too soon to tell. The first twelfth graders to have been in the program for 3 or more years are just graduating. I should note that parallel, though, with ICPAC's existence, in Indiana the number of young people going into postsecondary education is persistently going up, even though the total number of young people in the State is going down.

Postsecondary enrollments are going up across the State and the postsecondary participation rate, itself, is going up. Absent other evidence, we are inclined to give ICPAC partial credit for this state of affairs.

The system is also very well thought of by its assorted clientele, and I would like to tell you in closing what an ICPAC user thinks. This is a letter a ninth grader wrote to the folks at ICPAC a couple of years ago—actually one year ago.

"Dear ICPAC, I have a few questions that I would like to ask. Do you have anything that would help me in math? It seems to be my worst subject. I study and do my homework. I also pay attention in class, but I still don't learn anything. I'm a junior at X High School. I didn't take the PSAT last year because I didn't think I needed it. Do I? My GPA increased from a 1.9 to 3.2 over one year due to one of your publications. I used to get Cs and Ds, and now I get As and Bs.

"Thank you for your info and for listening. I hope I get the other publications soon. Thanks for your time."

High school children find the service valuable. Schools that put their children into the program find it valuable enough so they reopt for the same experience each year. The feedback we get from adults using the service is valuable. We think the communication system could expand to reach parents of very young children and talk about savings program, to reach adults looking for additional training and education opportunities.

I have run out of time. I have told you a little bit about the program. I would be pleased later to answer any questions. Thank you.

[The prepared statement of Karen Rasmussen follows:]

HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT

South Bend, Indiana
July 26, 1991

Testimony by Karen Rasmussen, Assistant Commissioner for Planning and Policy Studies, Indiana Commission for Higher Education, 101 West Ohio Street, Suite 550, Indianapolis, IN 46204, (317) 232-1900

My name is Karen Rasmussen. I represent the Indiana Commission for Higher Education. And I want to tell you about an Indiana program that encourages young people to aspire to postsecondary education, and provides information and advice about how to make those aspirations come true.

To me, Indiana's program looks like a model for the early awareness programs that increasingly are described as essential for the nation to develop. I hope that in about four minutes you, too, will think we have a model program. And I have more information to share with anyone who might be interested after the hearing.

Our program is called the Indiana College Placement and Assessment Center. That is a mouthful; we usually call it either the Assessment Center or ICPAC. Name notwithstanding, the College Placement and Assessment Center doesn't exactly "place," and it assesses in an atypical way. It communicates directly with almost every high school student in the state, and with any interested adult, about the value and affordability of postsecondary education. ICPAC assumes that every student (and adult) should aspire and can succeed. Guidance and encouragement might be needed; but they are things ICPAC does very well.

The Assessment Center is a state-funded service for high school students and

their parents. For the most part, it works directly with families and avoids bureaucracies. It also uses more than one medium, each of which reinforces the next. The staff, some of whom are here, will talk all day about "interactive communications." That's quite a mouthful; but it accurately describe what ICPAC does.

Last year (1990-91), the Assessment Center communicated by mail with 260,000 students in grades nine through twelve, and their parents, at a cost of $3.00-4.00 per child. Mailings included newsletters, some containing letters from Governor Evan Bayh, surveys, and planning materials. The "planners" are grade-specific: Basic for grade 9, more activity-oriented for grade 11, and focused in grade 12 entirely on financial aid.

Also in 1990-91, ICPAC maintained a toll-free hotline and responded to more than 20,000 contacts from people seeking information about postsecondary education and careers. A third medium is electronic, called PLAN (Postsecondary Linkage and Assessment Network), in which all the other information and question-asking capacity is available on-line to whomever has access to computers and modems. As time goes by, this electronic dimension may become increasingly central to ICPAC operations.

Nationally, much of the attention being given to early awareness programs arises from a desire to reach more prospective first-generation college students. Indiana is a low participation state, and ICPAC pays particular attention to "at risk" students. It surveys ninth graders about postecondary aspirations and concerns and replies with information tailored to what respondents have said. It also uses survey information to identify students

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who might benefit from special attention and provides those names to local postsecondary encouragement programs. On request, it provides information pieces, at no charge, on such subjects as how to study, "What to Do if You are a Late Bloomer," and why math matters. Finally, it sends parents reports that connect their children's aspirations with achievement test scores in reading, language arts, and mathematics, reports that focus on how performance might be improved.

Does ICPAC work? That is partly an unanswerable question. In Indiana, the number of young people going into postsecondary education is going up even though the total number of young people is going down. Postsecondary enrollments are going up. Indiana's postsecondary participation rate is going up. We are inclined to give ICPAC partial credit for this state of affairs. Let me tell you what an ICPAC user thinks. This is a letter a ninth grader wrote to ICPAC a couple of years ago. . . .

My time is up. You have a taste of ICPAC. If anyone wants more, I and some ICPAC staffers will be happy to talk with you after the hearing. Now, I would be pleased to answer any questions from the subcommittee.

Chairman ROEMER. Thank you, Dr. Rasmussen. That was very interesting.

Mr. Washington, or should I say Dr. Washington, with your jurisprudence degree? Which do you prefer?

Mr. WASHINGTON. Mr. Washington.

Chairman ROEMER. Okay, Mr. Washington.

STATEMENT OF CLEOPHUS WASHINGTON, ATTORNEY, THE MANSE LAW OFFICES, SOUTH BEND, INDIANA

Mr. WASHINGTON. Mr. Roemer, Mr. Andrews, counsel. My name is Cleo Washington. I was born and raised here in South Bend, Indiana. I attended one of the TRIO Programs from the summer of 1978 through the summer of 1981, and I went back and worked as a staff member during the summer of 1982 and the summer of 1983. That specific program was the Notre Dame Upward Bound Program.

After completing my last summer of Upward Bound, I matriculated to Wabash College, a small, all-male, liberal arts private institution in Crawfordsville, Indiana. There, I received my baccalaureate in political science in 1985. During my junior year at Wabash, I had the good fortune to be selected as a TRIO desk director and served as a lobbyist in the second session of the 98th Congress.

From there, I went on to law school at the University of Missouri-Columbia and graduated from the School of Law in 1988. I have been practicing law here in South Bend since 1989.

The Notre Dame Upward Bound Program played a significant role in my academic development and in my preparation for college. I have many fond memories of the many summer nights I stayed up trying to finish government, chemistry, biology, and other assignments and discussing the various career options that my friends and I would have if we completed college.

Upward Bound provided a constant source of encouragement, motivation, and incentive to achieve to your highest abilities. I was not the brightest student in any of my classes, but I was always one of the hardest working. The academic discipline and diligence I learned in Upward Bound through the study skills classes helped me to adjust to some of the more intense studying required at the college level. Many of the students from similarly economically disadvantaged backgrounds did not have that same advantage, the same advantage that Upward Bound allowed me to have.

As my years in college went on, I learned to appreciate more and more the knowledge I acquired in my participation in TRIO. I believe that one of the greatest challenges facing our Nation today is the education of its youth. The education of African Americans is of particular concern to me; not only because I am myself an African American, but because I feel the results of a lack of education through my work in the court system.

I work part time as a court-appointed counsel, a public defender. I notice a disproportionately high number of individuals that run through the system are young black males. I notice over and over a direct parallel between failure to complete high school and go onto

postsecondary education and the involvement in the criminal justice system.

Upward Bound is a program that has helped literally thousands of African Americans stay out of that system. Without the career guidance that was available to me through the Upward Bound Program, I may have well been one of the statistics in the one of four black males that end up in the system. I am not just saying that. I have two of my four brothers who ended up in that system.

One advantage that I had over them is during the summers of my freshman, my sophomore, my junior years in high school, I did not have the streets to hang out on, and I hung out in Notre Dame in the Upward Bound Program.

The Upward Bound Program allows the participants to reflect a positive change in self-esteem, feel better about themselves and their ability to reach their potential. In addition, the students who are selected to the program are better able to overcome potential risks and barriers to their academic development through exposure to positive alternatives.

The primary positive alternative, of course, is some type of postsecondary education. Through participation in the program, students are taught to realize a greater value in education, training, and skill development. These participants are thereafter able to go and better train the next generation of students.

However, there is still a long way to go before disadvantaged students can survive and achieve without the likes of TRIO Program. That is one of the reasons I so strongly support TRIO.

If the education of our youth is to be a priority among members of the committee, then I would hope that they would feel some type of more compulsion to support the TRIO Program. All children should have the opportunity to pursue a higher education. However, each of realize that those who are exposed to and realize the benefits of higher education are much more inclined to pursue it.

Upward Bound and TRIO simply gives more students that knowledge, that exposure, that information, that allows them to make an intelligent and informed decision about their future. It is impossible for me to explain how significant a factor Upward Bound was in my decision to go to college. It is impossible for me to explain how significant it was in my decision to attend law school.

I hope and pray that the members of the committee vote in favor of full funding for the TRIO Programs as they currently exist. I think if there is any change in the funding, that change should be a vote to increase the funding so we can increase the opportunity to a larger number of students. I think support of the Upward Bound and the TRIO Programs is a classic example of the adage "if it ain't broke, don't fix it." Thank you very much.

[The prepared statement of Cleophus Washington follows:]

TO: COMMITTEE ON EDUCATION AND LABOR
UNITED STATES HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POST-SECONDARY EDUCATION

RE: HEARING JULY 26, 1991 AT 9:000 A.M.
HESBURGH CENTER, UNIVERSITY OF NOTRE DAME,
NOTRE DAME, INDIANA. COMMENTS:

Mr. Chairman, members of the Committee, my name is Cleophus Washington. I was born and raised here in South Bend, Indiana. I attended one of the Trio Programs from the Summer of 1978 thru the Summer of 1981. The specific program was the Notre Dame Upward Bound Program. After completing my last summer of Upward Bound Program, I matriculated to Wabash College, a small all male liberal arts private institution in Crawfordsville, Indiana. There, I received my Baccalaureate in Political Science in 1985. During my Junior Year at Wabash, I had the good fortune to be selected as a Trio Desk Director and served as a lobbyist in the Second Session of the 98th Congress. From there, I went on to law school at the University of Missouri-Columbia. I graduated from the School of Law in 1988. I have been practicing law here in South Bend, Indiana since 1989. The Notre Dame Program Upward Bound Program played a significant role in my academic development and in my preparation for college. I have many fond memories of the many summer nights I stayed up trying to finish government assignments and discussing various career options that my friends and I would have if we completed college. Upward Bound provided a constant source of encouragement, motivation, and incentive to achieve your highest abilities. I was not the brightest student in any of my classes, but I was always one of

the hardest working. The academic discipline and diligence I learned in Upward Bound, through the study skills classes, helped me to adjust to some of the more intense studying required at the college level. Many of the students from similarly economically disadvantaged backgrounds did not have that same advantage. As my years in college went on, I learned to appreciate more and more the knowledge I acquired in my participation in Trio.

I believe one of the greatest challenges facing our great nation today is the education of its youth. The education of African Americans is of particular concern to me; not only because I am myself an African American, but, because I feel the results of a lack of education through my work in the Court system. Part of my work as a lawyer is as Court appointed counsel for indigent defendants. A disproportionately high number of individuals are young, black males. I notice over and over a direct parallel between failure to complete high school and involvement in the Criminal Justice System. Upward Bound is a program that helps literally thousands of African Americans stay out of the Criminal Justice System. Without the career guidance that was available to me through the Upward Bound Program, I may have well been one of the statistics of the 1 in 4 black males that end up in the Criminal Justice System.

The Upward Bound Program allows the participants to reflect a positive change in self-esteem, feel better about themselves and

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their ability to reach their potential. In addition, the students who are selected to the Upward Bound Program are better able to overcome potential risks and barriers to their academic development through exposure to positive alternatives. The primary positive alternative, of course, is some type of post-secondary education. Through participation in the Upward Bound Program, students are taught to realize a greater value in education, training and skill development. These partipants are thereafter able to go and better train the next generation of students. However, there is still a long way to go before disadvantages students can survive and achieve without the likes of TRIO.

If the education of the nation's youth is to be a priority among members of this committee, then I would hope that they would feel some type of moral compulsion to support the Upward Bound Program and TRIO Programs in general. All children should have the opportunity to pursue a higher education. However, each of us realize that those who are exposed to and realize the benefits are much more inclined to pursue a higher education. Upward Bound and Trio simply gives more students that knowledge, that exposure, that information, that allows them to make an intelligent and informed decision about their future.

It is impossible for me to explain how significant a factor Upward Bound was in my decision to go to college, in my decision to go to law school, in my decision to seek public office in a span of five minutes. I hope and pray that the committee members vote in favor of full funding for the TRIO Programs as they currently exist. Support of the programs is a classic example of the adage "if it ain't broke don't fix it".

Thank you very much for the opportunity to address you today.

Chairman ROEMER. Thank you very much, Mr. Washington. Mr. Schulz?

STATEMENT OF JOHN W. SCHULZ, STAFF VICE PRESIDENT, HUMAN RESOURCES, MILES, INC., ELKHART, INDIANA

Mr. SCHULZ. Thank you, Congressman. My name is John Schulz, and I am the staff vice-president of human resources for Miles, Inc. of Elkhart, Indiana. Thank you for granting Miles the opportunity to appear before this distinguished subcommittee. Its members bear the responsibility of addressing one of the fundamental issues facing our country today. I hope insights we offer will be helpful to them in shaping the reauthorization proposal.

Miles is a leading research-based health care company with more than 100 years of tradition and experience. The company has a proud history of scientific achievement made possible both by individuals and teams of people with distinguished academic records. Clearly, we understand the value of education.

Since 1978, Miles has been a subsidiary of Bayer AG of Leverkusen, Germany. We have more than 15,000 employees worldwide, approximately 10,000 in the United States.

As the healthcare arm of Bayer in the United States, Miles relies on research and technology for our complex and diverse product line of pharmaceuticals, diagnostics and over-the-counter health care products. Our sales in 1990 were $2.6 billion.

As a business that is research intensive and future oriented, we look upon higher education and advanced studies, particularly in engineering, chemistry and physical sciences, as the impetus and sustaining energy behind all progress. To develop and market high quality, innovative health care products in the competitive global marketplace of today, we must attract and retain the best and brightest talent in such fields as chemical engineering, biochemistry, medicine and chemistry.

One in 10 of our employees at Miles has an advanced degree. In the past year alone, we hired more than 100 people with master's degrees, Ph.D.s and M.D.s. Our clerical, production and sales workers must possess a relatively high level of technical knowledge, as well.

By the year 2000, if we are to maintain or increase our rate of innovative contributions to society, we will need more, better trained professionals. The general level of technical knowledge, mathematical skills, and computer proficiency and the average employee's understanding of basic scientific concepts will have to rise. At the time when our educational system is forecast to produce fewer, less-educated students, we will need as more widely and deeply educated work force.

The work force of the future will have to re-educate itself as the pace of technological change accelerates, particularly in information systems and the life sciences.

To help address the problem, Miles supports higher education in a number of ways. For example, at our major locations in the United States, including West Haven, Connecticut; Tarrytown, New York; Berkeley, California; and Clayton, North Carolina; besides Elkhart, we support local schools and institutions of higher

learning. Here in South Bend, we have a major commitment to the University of Notre Dame, which includes funding for a chair in bioengineering and pollution control and post and pre-doctoral fellowships. Our people are also actively involved with the local schools and universities at all locations. For example, our president and chief executive officer, Dr. Klaus H. Risse, is part of the advisory council for the College of Science at Notre Dame.

We, in turn, call upon the university to help us conduct our annual executive development program. Half of our parent company's clinical trials are conducted by Miles in universities and teaching hospitals throughout America, accounting for an infusion of millions of dollars into our educational system.

Our own organizational development department conducts employee training, and nearly 2,000 employees took at least one of the 40 courses offered last year. Another 1,500 individuals participated in computer training offered by our information science department.

We enthusiastically endorse efforts to improve the state of higher education in the United States, but the problem starts earlier than many think. We found that two-thirds of all students, by the time they reach the eighth grade, decide they do not like science. Therefore, we have chosen to work with the local school districts in our plant communities to help students see science and mathematics as interesting, enjoyable and rewarding.

In Elkhart, for example, Miles has established an extended partnership plan with the Elkhart community schools. This program provides hands-on demonstrations of science in grade school classroom, science demonstration kits, advising junior high and high school students on science projects, career information in science, and we donate laboratory equipment.

As these examples suggest, Miles continues to support education in a number of ways. However, given that the National Science Foundation predicts a shortfall of 675,000 scientists and engineers by the year 2000. It is obvious the problem requires a much larger resource than business and industry alone are capable of providing.

Advances in technology have enabled us to achieve the standard of living we enjoy today. To assure continuance of the American way of life, we encourage the Postsecondary Education Committee and the Congress to do everything possible to improve the state of higher education in this country today.

Thank you so much.

[The prepared statement of John W. Schulz follows:]

TESTIMONY BEFORE THE U.S. HOUSE OF REPRESENTATIVES

POST-SECONDARY EDUCATION COMMITTEE ON THE

REAUTHORIZATION OF HIGHER EDUCATION ACT

JOHN SCHULZ
VICE PRESIDENT - HUMAN RESOURCES
MILES INC.
JULY 26, 1991
NOTRE DAME, INDIANA

My name is John Schulz. I am Staff Vice President of Human Resources for Miles Inc. of Elkhart, Indiana. Thank you for granting Miles the opportunity to appear before this distinguished subcommittee. Its members bear the responsibility of addressing one of the fundamental issues facing our country today. I hope the insights we offer will be helpful to them in shaping the reauthorization proposal.

Miles is a leading research-based healthcare manufacturer with more than 100 years of traditions and experience. The company has a proud history of scientific achievement made possible by both individuals and teams of people with distinguished academic records. Clearly, we understand the value of education.

Since 1978, Miles has been a subsidiary of Bayer AG of Leverkusen, Germany. We have more than 15,000 employees worldwide, approximately 10,000 in the United States.

As the healthcare arm of Bayer in the United States, Miles relies on research and technology for our complex and diverse product line of pharmaceuticals, diagnostics and over-the-counter healthcare products. Our sales in 1990 were $2.6 billion.

As a business that is research-intensive and future-oriented, we look upon higher education and advanced studies--particularly in engineering, chemistry and physical sciences--as the impetus and sustaining energy behind all progress. To develop and market high-quality, innovative healthcare products in the competitive global marketplace of today, we must attract and retain the best and the brightest talents in such fields as chemical engineering, biochemistry, medicine and chemistry. One in ten employees at Miles has an advanced degree. In the past year alone we hired more than 100 people with master's degrees, Ph.D.s and M.D.s. Our clerical, production and sales workers must possess a relatively high level of technical knowledge as well.

By the year 2000, if we are to maintain or increase our rate of innovative contributions to society, we will need even more, better trained professionals. The general level of technical knowledge, mathematical skills and computer proficiency and the average employee's understanding of basic scientific concepts will have to rise. At a time when our educational system is forecast to produce fewer, less-educated students, we will need a more widely and deeply educated work force. The work force of the future will have to reeducate itself as the pace of technological change accelerates, particularly in information systems and the life sciences.

To help address the problem, Miles supports higher education in a number of ways. For example, at our major locations in the United States, including West Haven, Conn.; Tarrytown, N.Y.; Berkeley, Calif.; and Clayton, N.C., besides Elkhart, we support local schools and institutions of higher learning. Here in South Bend we have a major commitment to the University of Notre Dame, which includes funding a chair in Bioengineering and Pollution Control and post- and predoctoral fellowships. Our people are also actively involved with local schools and universities at all company locations. For example, our President and Chief Executive Officer, Dr. Klaus H. Riese, is part of the Advisory Council for the College of Science at Notre Dame. We, in turn, call on the university to help us conduct our annual Executive Development Program. Half of all our parent company's clinical trials are conducted by Miles in universities and teaching hospitals throughout America, amounting to an infusion of millions of dollars into our educational system.

Our own Organizational Development Department also conducts employee-training programs. Nearly 2,000 employees took at least one of the 40 courses offered last year. Another 1,500 individuals participated in computer training, offered by our Information Systems Department, in 1990.

We enthusiastically endorse efforts to improve the state of higher education in the United States, but the problem starts earlier than many think. We found that two-thirds of all students, by the time they reach eighth grade, decide they don't like science. Therefore, we've chosen to work with the local school districts in our plant communities to help students see science and mathematics as interesting, enjoyable and rewarding. In Elkhart, for example, Miles has established an Extended Partnership plan with Elkhart Community Schools.

This program provides:

- Hands-on demonstrations of science in grade-school classrooms.
- Science demonstration kits.
- Advising junior-high and high-school students on science projects.
- Career information in science.
- Laboratory equipment donated by Miles.

As these examples suggest, Miles continues to support education in a number of ways. However, given that the National Science Foundation predicts a shortfall of 675,000 scientists and engineers by the year 2000, it is obvious that the problem requires much larger resources than business and industry alone are capable of providing. Advances in technology have enabled us to achieve the standard of living we enjoy today. To assure continuance of the American way of life, we encourage the Post-Secondary Education Committee and the Congress to do everything possible to improve the state of higher education in the country today.

# # #

Chairman ROEMER. Thank you very much. Ms. Munoz.

STATEMENT OF AMELIA M. MUNOZ, EDUCATION CENTER, SOUTH BEND, INDIANA

Ms. MUNOZ. If I Were In Charge of the World:

"If I were in charge of the world, I'll make you poor. I'll make you live in a cardboard box. Make you eat spinach two times a day. You will drive to work in a soapbox car. And for me living of the dirt, informal peasant, I'll be dirty rich."

My name is Amelia Munoz. The poem I just read to you was written by an eighth grade student who attended our bilingual migrant summer school in 1990. Lupe expresses his anger and revenge in the best way he can, he writes. Lupe must go to college, and we all have the responsibility to make sure that he does.

I was raised in California. I am from Mexican descent and the eighth of nine children, and the first and only one who has gone on to higher education and received a degree. I graduated from the University of Notre Dame in 1986. I grew up in a single-parent family. My mother, she worked long hours as a cannery worker to provide for us. She always said to us, as she came home soaked from working in a fruit sorting line, that if we studied hard, our lives would be better. I believed her.

My mother's expectations were that we all graduated from high school and got a good job. And all of us, to her credit, we met her expectations, except for me because I wanted more. In 1975, my senior year of high school, I was convinced that I could be a dentist. My grades were good. I took college prep courses, but there was one thing keeping me back. I didn't know how to do it. I didn't know what the process was nor how to go through it.

And finally, I approached my high school counselor and I said to him I want to be a dentist. In his remarks, he said well, you are going to get married and have children. And if that does not work out, you are going to have to support your family. Why do you not go to a junior college and you can do dental assisting, and if you like it, you can go on. And he was the expert. He convinced me, and I did exactly as he told me. He helped me to get into junior college.

In 2 years, I completed my degree at the top of my class, and I worked in the dental assisting field for 9 years. Dental assisting is okay, but it was an insufficient challenge for me. I worked those 9 years and finally, I woke up and I said there has got to be a better way. That better way came in a very radical change. I moved to another State, and in my determination, I began applying to different colleges. I applied to Notre Dame and I was accepted.

That was my next challenge. How do I pay for it? For all the determination that I had, I had no idea how the financial system worked. I did the best that I could, and I got my paper work completed and I turned it in. And one week before school was to begin, I received a letter from the financial aid office here at Notre Dame saying that I missed the deadline and there were no monies for me.

In my desperation, I called the financial aid office and I was told that if I did not have the money that I should not come. I did what I guess anyone my age would do. With a hope for a better future

and a one-way ticket, I came. If I had been younger, I know that I would not have. But at this point, I knew I had no other alternative. I came.

I began knocking on doors and talking to anyone that would listen to my story. I needed a higher education. I needed help, and I needed money. I couldn't give up. After talking to many people, a very special person mentioned to me, Mary Ann Roemer, your mom, Tim, that I should write a letter to President Hesburgh, and I did that. And I explained to him my situation. I told him of my desire to get an education to do something, and the rest is history.

I was given permission to begin classes under the condition that I find money; and within a month, if I did not find that money, that would be the end of my classes. Well, a day before the month was over, I received a financial aid package from Notre Dame. They gave me scholarships, grants, loans and work study. Two years later, I completed my degree with honors.

Today, I work as an administrative assistant in the bilingual education department of the South Bend Community School Corporation. My first responsibility is to be sure that history does not repeat itself. My job allows me to help other minority students get through the college application and financial aid process. Today, I can proudly say that we are responsible for 11 college graduates, 50 current college students, and 22 students who will enter college this fall.

Just as my mom taught me, if I study hard, I will have a better life. The scholarships, grants, and loans helped me make it. They helped the students that we have sponsored. Let us make sure that these monies are available to the Lupe Ponce's of our future. Thank you.

[The prepared statement of Amelia M. Munoz follows:]

IF I WERE IN CHARGE OF THE WORLD

If I were in charge of the world
I'll make you poor
I'll make you live in a cardboard box
Make you eat spinach two times a day
You will drive to work in a soapbox car
And for me living of the dirt,
Informal peasant
I'll be dirty rich!!!

By Guadalupe Ponce

My name is Amelia M. Muñoz. The poem I just read to you was written by an eighth grade student who attended our Bilingual Migrant Summer School in 1990. Lupe expresses anger and revenge in the best way he can...he writes. Guadalupe must go to college! We all have the responsibility to make sure that he makes it.

I was raised in California and I am the eighth of nine children. I was the only one in my family who has received a higher education degree. I graduated from the University of Notre Dame in 1986. I grew-up in a

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single family home. My mother worked grueling hours as a cannery worker to provide for us. She always reminded us, as she returned soaked from standing in a fruit sorting line, that if we studied hard our lives would be better. My mother's expectations were that we graduate from high school and secure a good job. To my mother's credit we all met her expectations, except for me,...I wanted more.

In 1975, my senior year of high school, I was convinced that I could be a dentist. My grades were good, I took many college prep classes, but the only thing that was keeping me back was the lack of knowledge of how to go to college. I finally got the courage to approach my counselor for his help. He told me that I should go to a junior college and become a Dental Assistant. His rationale was that I was going to get married, have children and who knows?...if my marriage didn't work out, I needed to be ready to support my family. My counselor convinced me...after all, he was the expert. He had the knowledge to help me get into college and find the money. Well, in two years I completed my degree at the top of my class and gradually found the Dental Assisting field an insufficient challenge. Nevertheless, I worked nine long years as an Assistant.

I am not sure what did it, but I finally woke up and knew there had to be a better way. The better way came in a radical change. I moved to another State and in my determination to "do better" I began applying to several schools. I was accepted to the University of Notre Dame and began my new challenge: How to finance my education. For all the determination that I had, I had no idea how the financial system worked. I did the best that I could to get my paperwork completed and turned in. One week before school was to begin I received a letter from the financial aid office stating that I missed the deadline and that there were no monies for me. In desperation I called the financial aid office and was told that if I had no money I should not come. I did what any 27 year old with a one way ticket and a hope for a better future would have done, I went anyway. I showed up in the financial aid office and no one would see me. They told me the director was out of town and everyone else had full schedules. If I had been younger, I guess I would have gone home, but me, I had no choice. I began knocking on doors and talking to anyone who would listen. I needed a higher education! I needed help... I needed money! I couldn't give up.

After talking to many people, someone finally mentioned to me that I should write a letter to the President of the University to explain my

predicament. The rest is history. I was given permission to begin classes under the condition that I had to find the money within a month or I would have to leave school. A day before the month was over I received a financial aid package. They gave me scholarships, grants, loans and work study. Two years later I completed my degree with honors.

Today I work as an Administrative Assistant in the Bilingual Education Department for the South Bend Community School Corporation. My first responsability is to be sure that history is not repeated. My job allows me to help other minority students get through the college application and financial aid process. Today, I can proudly say that we are responsible for eleven (11) college graduates, fifty (50) current college students and twenty two (22) students who will enter college for the first time this fall. Just as my mom taught me, studying hard does lead to a better life.

The scholarships, grants and loans helped me make it. They have helped the students we have sponsored. Let's make sure that these monies will be available to the Lupe Ponce's of our future.

July 26, 1991, Testimony on Higher Education, University of Notre Dame

Chairman ROEMER. Thank you very much. Mrs. Heidt, I apologize that we do not have a name card for you. That is my fault. I will not blame that on Congressman Andrews this time.

Mr. ANDREWS. I wanted to give you one.

Chairman ROEMER. We would appreciate hearing your testimony.

STATEMENT OF DIANA M. HEIDT, SOUTH BEND, INDIANA

Mrs. HEIDT. My husband and I are not college graduates, and our oldest son wanted to go on to higher education. He applied for a Stafford loan at Ball State, which was really his second choice. He was accepted at St. Joe in Rancela in 1989 when he graduated from Marion High School. We could not afford to send him there.

He had a part-time job at the library here in South Bend, and he applied to Holy Cross Junior College, and he was accepted. He worked the whole time that he went to Holy Cross full time. He decided we cannot afford St. Joe to finish up his college education, so he thought he would go to Ball State, hoping to get a Stafford loan. He was turned down.

I wrote a letter to Ball State, and I would like to read it because it expresses our feelings.

"We have put David through 12 years of parochial school and 2 years of college without financial aid. The past 4 years, he has worked part time to buy a car, pay for the car, the insurance, maintenance, and repairs, as well as some of his college books and fees—" and despite what Dr. Bridges said, I do not feel that a car is frivolous like a stereo sound system. He needed it even in high school. He bought the car then because the college and the high school were not on a public transportation line, and going from school to his work and back home and whatever, he needed it because my husband and I were on different schedules.

"Everywhere we turn, we are told there are grants, scholarships, and loans available to anyone who wishes to attend college. The secretary of education was on CBS this morning and said contact your college of choice because financial aid is available for those wishing to go on to higher education. Commercials on t.v. claim there are thousands of dollars in grants and scholarships unclaimed each year, but they fail to tell you how to go about applying for them.

"With so much financial assistance available, why is our son unable to receive any of these monies? We have spent hours at the library researching grants and scholarships and have come to the conclusion that being a white, middle-class male hinders receipt of financial aid. The FAF form is a farce. You look at income, mortgage, and what health insurance does not cover regarding medical and dental.

"What about car payments and car insurance? You do not know how many cars we have. Life insurance, health insurance, utilities. You do not ask the size of our home which determines the heating, the gas bill and the electric bills. We have an older home that needs repairs. The roof needs to be replaced. Our garage is falling down. Appliances need to be replaced, and a lot of our neighbors are replacing furnaces now and their house was built the same year as our, so we are looking forward to that expense."

We also have the first 2 years of his college to pay for and all the miscellaneous expenses. There have been times when we have had less than $50 for groceries for one week to feed four people. Now, due to the government's cutback on Federal funds for public transportation, my husband, who is a bus driver, his income is going to be affected because they have cut down some of the routes. My son, also: His hours were cut at the library because of funding that was cut.

"I realize that David is a clean-cut, drug-free, white, middle-class male, non-athlete, B student, and does not qualify for grants or scholarships. His only hope for attending Ball State this fall is the loan."

They told us that we could apply for a PLUS SLS loan, which we would have to co-sign for and pay for. We pay our taxes, and part of that money goes to help others so they can attend college. Why can others taxpayers not help our son attain his educational goals?

Because of the poor quality of education in the public schools on the grade and high school levels, we chose to spend our extra money to send our sons to parochial schools, not complaining when our tax dollars did not go to help us. We feel cheated because we cannot even get a loan which we have to pay back with interest.

These past few years have been frustrating, aggravating, and stressful, and have filled us with dejection and resentment of the bureaucratic red tape involved in getting financial aid to get a college education.

Your consideration of our financial status is appreciated. We feel anyone should be judged individually regarding the amount of financial aid they can receive and not put on a general scale based on income. It is unfair to a great number of prospective college students who are hurt by the sterile and callous manner in which the sensitive matter is handled.

My husband and I just went yesterday to reapply for a second mortgage to get a home equity loan. We sat there for 3 hours and we had to present all kinds of papers saying how much we earn, what our bills are. Yet, my son was treated—everything we did was through the mail. It was papers; it was forms. Nobody sat down with him and asked him are you going to default on your loan; are you going to pay your loan; where did your money go that you made the last 4 years.

They do not know where it is. Any junior and senior in high school or freshman and sophomore in college is not going to put every cent that they make away in a bank for their college education. We thought by him working, it would gain him integrity and respect so that he would have some—I am not sure of the word I want to use, but be able to pay his bills when he gets done with college. He will get a good job.

He wants to go into a business administration because he said, Mom, there are not any factories or anything here in the United States anymore where people can work. Everything is made out of this country. When I graduated from high school, there were factories here where you could go right from high school and get a good-paying job. Now, there is nothing. Working in a fast food restaurant, that is about it. Help us, please.

[The prepared statement of Mr. and Mrs. Heidt follows:]

June 14, 1991

Ball State University
Office of Scholarships and Financial Aid
Administration Building - Room 202
Muncie, Indiana 47306

Re: David Brian Heidt
SS# 307-96-0310

To Whom It May Concern:

We hope you will please reconsider David's qualifications for a Stafford Loan. We have put him through twelve years of parochial school and two years of college without financial aid. The past four years he has worked part time to buy a car, pay for car insurance, maintenance and repairs as well as his college books and some fees.

Everywhere we turn we are told there are grants, scholarships and loans available to anyone who wishes to attend college. The Secrerary of Education was on CBS This Morning and said to contact your college of choice because financial help is available for those wishing to go on to higher education. Commercials on TV claim there are thousands of dollars in grants and scholarships unclaimed each year, but they fail to tell you how to go about applying for them. With so much financial assistance available why is it our son is unable to receive any of these monies? We have spent hours at the library researching grants and scholarships and have come to the conclusion that being a white, middle-class male hinders receipt of financial aid.

The FAF is a farce. You look at income, mortage and what health insurance does not cover regarding medical and dental. What about car payments and car insurance (Do you know how many cars we have?), life insurance, health insurance, utilities (you don't ask the size of our home which determines our heating and electric bills), the termite damage we sustainrd and can't afford to repair, an old garage that needs to be replaced as it is falling apart, a roof that needs replacement, appliances that need repair or replacement, the loan we took out to pay for the first two years of college, charge cards, etcetra. We have less than a hundred dollars in our savings account. At times fifty dollars is all we have for a week's groceries to feed four people. Now due to the federal government's cutback of federal funds for public transportation my husband's income will be affected. The library where David' works is cutting his hours because of the lack of funds.

I realize David is a clean-cut, drug-free, white, middle-class, male, nonathlete, B student and does not qualify for any grants or scholarships. His only hope for attending Ball State this fall is a student loan. The interest rate on thePLUS/SLS Loan is not as good and we hesitate to co-sign as we will need to take out another loan to pay for what you consider our share of his education. We pay our taxes

and part of that money goes to help others so they can attend college - why can't other taxpayers help our son attain his educational goals? Because of the poor quality of education in the public schools on the grade and high school levels we chose to spend extra money to send our sons to parochial schools, not complaining when our tax dollars did not go to help us.. Now we feel cheated because we can't even get a loan which we must pay back with interest.

These past few years have been frustrating, aggravating and stressful and filled us with dejection and resentment of the bureaucratic red tape involved in getting financial aid to get a college education.

Your consideration of your financial status is appreciated. We feel everyone should be judged individually regarding the amount of financial aid they can receive and not put on a general scale based only on income. It is unfair to a great number of perspective college students who are hurt by the sterile, callus manner in which this sensitive matter is handled.

Sincerely,

Brian D. and Diana M. Heidt
1203 Lakewood Drive
South Bend, Indiana 46614
(219) 291-4112

Enclosure: 1

Copy to: Timothy Roemer
Third District Congressman

P.S. We have seen that getting a divorce, filing bankruptcy or going on welfare would ensure our sons of a college education.

Chairman ROEMER. Thank you very much for very compelling and heartfelt testimony. I just would like to start off by saying again how grateful I am to all of you for appearing before us today. It seems like we have touched on a number of very critical problems, both with access to higher education and the problems that all of you have experienced with that access, and your suggestions on what we can do to be more fair and equitable with the aid programs. You also talked about the red tape and bureaucracy that we feel equally frustrated with the times, as well. I know we share your views.

Let me just start off, Dr. Rasmussen, with a couple of questions about your very new and unique program. You talk about trying to get information to many prospective students who will eventually attend a college. You seem to be pretty optimistic about getting their attention.

Let me just ask you about some ways by which you might want to improve or modify the good results that you seem to have already had. You say that you do most of this or all of it by mail.

Ms. RASMUSSEN. No. It is a combination of mail and telephone, with computing sort of moving in from the edge toward the center. I mean computer resources for school counselors or perhaps for adults at social service agencies or public libraries, but predominantly at the moment by telephone and by mail.

Chairman ROEMER. Do you feel that you will move in the future by utilizing more telephone, and computer modifications, or improvements in direct mail? Do you feel that you may move more toward face-to-face meetings if that is possible?

Also, in your testimony, you mention your focus on grades 9, 10, 11, and 12. Finally, at grade 12, you are entirely focused upon financial aid. We have heard from some of our witnesses that that might be a little bit too late. Might you make modifications in trying to get financial aid information to prospective students a little bit earlier?

Also, as Mr. Washington has suggested in his testimony we should have programs that expose our students, whether they be in the tenth grade or whether they be in third grade, to the campus, itself, so that it does not seem so foreign to them.

Could you respond to a couple of those concerns?

Ms. RASMUSSEN. Sure. With respect to where we see the future of the Assessment Center going, I think our first thought is that the range of audiences for whom service is provided could increase. We could work with parents more than with children than we currently do.

I mentioned in my testimony the possibility of reaching parents of pre-school age or elementary school age children to begin to talk about the cost and the saving side of eventual postsecondary educational opportunities. The opportunities are there, but they carry a price tag. Here is what you can do to help prepare for that day.

We certainly have talked about middle school students rather than high school students. I should mention that as a service that began through the Commission for Higher Education, we initially were very unsure how far down into K–12 we could legitimately reach, and we started at the high school, the ninth grade level, and worked back up through grades 10, 11 and 12.

We are very interested, if opportunities present themselves, to move into middle school and junior high school kinds of contacts, parental kinds of contact to a greater length, and adults in need of information about education and training opportunities. So I think our immediate agenda is probably to explore additional audiences.

We do as much by telephone as is supportable at the moment. There has been an almost algebraic expansion in the number of users of the telephone system. We are very pleased with all of that. We do not expect to quadruple telephone investment, at least in the near future.

Computing is an interesting predicament. Public places like libraries, or social service agencies, or even school libraries have access to these things. Many of the families whom we would like to reach do not individually have access to these things. They would be dependent upon access in some other way, whereas the kitchen table, the U.S. mail, and a telephone are more readily vehicles of communication.

So the extent to which we should move increasingly into electronic technology is something we still debate a lot. We are not entirely sure. Certainly, the use of technology for people like counselors, it is wonderful resource for them and plan increasingly serves them. The point at which we can say we know that service is really getting out to individual families is something we are not clear about. Maybe we need one of those pilot projects you were talking in another context to try to sort some of those answers out.

With respect to financial aid information, I did not mean to imply that we do not talk about financial aid until twelfth grade. What is provided then is an FAF and some very detailed information about deadlines and filling it out, and the kinds of errors that will kick you out of the system and jeopardize that all important March 1 deadline, at least important in Indiana.

Financial aid information is available from grade 12 in newsletters, in the ninth grade planner which just talks generally about the kinds of ways to pay for postsecondary education. It is never absent. The eleventh grade more activity oriented planner invites people to write letters to financial aid offices and begin at the institution or institutions of their choice and begin to learn the kinds of institutional aid that might be available.

Then, as I say, the twelfth grade planner focuses narrowly on the information needed to accurately and on time fill out that all important FAF. But the information is available, I think, from grade nine. And the kinds of things that are available by mail are also available by hotline request.

In terms of more than mail order service, I do not think there is any way the Assessment Center, itself, can ever be funded to do personal counseling. But what it tries to do, with mixed success, is work with local institutional or community based enrichment programs and say here are some names and addresses of students we think might benefit from special attention; here are some materials that you might use with them.

We applaud and do whatever we can to encourage campus visits or special summer enrichment programs that institutions might provide. Wearing another hat, the commission is happy to recommend that the State put money into those kinds of outreach pro-

grams in the course of appropriating funds for institutional budgets.

But the Assessment Center, itself, plays more of a brokering role than a personal advising kind of role. We leave that more to people in individual communities, school counselors, social service agencies, college admissions officers, and we give what kind of support we can to those local efforts.

Chairman ROEMER. Thank you very much, Dr. Rasmussen. I did not mean to imply that the technology in and of itself would be something that was not effective. I was pursuing a line of questioning about where you intend to go in the future. Maybe some technologies that we are looking at in Science, Space, and Technology Committee, such as fiber optic cables and so forth, provide many, many new areas of learning that could directly help and facilitate an organization like yours.

Ms. RASMUSSEN. That is very true.

Chairman ROEMER. I appreciate your testimony. Mr. Washington I think you were a little modest in some of your comments. I am very aware of some of the things that you have been able to do in the community through your positive young leaders and positive role model organization.

I have also visited the Upward Bound Program at Notre Dame and have seen some of the great achievements of the program with young students in high schools around this area. In speculating a little bit about these two ideas, what kinds of things, based upon your experience with a positive role model organization such as the Upward Bound and TRIO Programs, would we want some kind of a pilot program to directly get to these young students, whether they be young African-American students, Hispanic students, white middle-class students, to encourage them to see that college is within their grasp and their dream and that they can get access to information about financial aid?

Do you have some ideas or general comments on all that, things that we can do based upon a lot of your achievements locally here?

Mr. WASHINGTON. I think one of Ms. Munoz's—the comment that she made about the high school counselor giving her that advice is very important because unfortunately, even today that still happens to, it seems, minorities and a disproportionate number of poor students across the Nation. Part of the problem is that a lot of not necessarily advantaged students, but a lot of students that will not be first generation college students, they hear all of these things growing up about the importance of postsecondary education.

They do not necessarily receive the same type of career guidance as some of the other students. That is why I think that any program that is designed much like the Upward Bound Program and the TRIO Program, or any other pilot program, if one of the purposes of the program is to give that type of exposure to these various options, then I think it is a very positive.

I think it is one of the types of things that really gets students to thinking about postsecondary education at a very early age. That is one of the things that our organization tries to do, our leaders and positive role models, is we go into the schools and we do not only talk to the Black students and the Hispanic student, but we talk to all the students about planning for a career at an early age so

again, they can focus on the important of education and how that education will have a direct relationship to what they can do in the future.

I think any program like the one Ms. Rasmussen is suggesting, I think it would be a good program. Of course, the problem is always the funding for the program, particularly when you think about the reauthorization of the act at the current level. That is why still, I know how valuable Upward Bound has been to thousands of students.

There are hundreds, literally, of Upward Bound success stories out there and TRIO success stories. The only difference between them and a lot of their brothers and their sisters is that they were in the program and they got this information and, therefore, they are able to make more informed decisions about their career.

Chairman ROEMER. Do you give out specific information when you go into the schools to talk to African American students and Hispanic students, and White students about TRIO and Upward Bound? When I visited Upward Bound at Notre Dame, I asked a number of different people how they found out about this program. Two young men—one's name was Victor and one was Eddy—both said it was word of mouth.

What recommendations do you have for us that might be more systematic? Should it be through counselors in high school? Through programs that you have established at the local level like the positive role model organization? How can we get that information to more people to get into the TRIO and the Upward Bound Programs?

Mr. WASHINGTON. I think it has to be a combined effort, one from the local TRIO Program. But they have a limited number of staff, a limited number of personnel, and the monies to get out the word on the TRIO Programs. That is why I think it is some important for the high school and the junior high school counselors to get the word out.

Again, I believe within our high schools here in South Bend, a lot of the high school counselors are failing in that respect and a lot of the students have to find out about the program through word of mouth. That is why—and as I am talking, I am reflecting more on Ms. Rasmussen's comments.

I think it is a very good idea of any program that is aimed at giving that information out there; and again, Upward Bound and TRIO Programs are excellent, but we need more programs to reach some of those students who do not necessarily qualify for Upward Bound or TRIO like Ms. Heidt's son or someone that is barely over the income level. They need that information, too. I would encourage the committee to consider any program like that.

Again, though, I know because I have been in Upward Bound and I have worked there as a counselor. I know that Upward Bound works. There is no problem with Upward Bound. The only problems with Upward Bound is that it is not able to serve the number of students that it needs to serve because of a lack of funding.

Chairman ROEMER. Thank you, Mr. Washington, and keep up the work with the young people in the community, too. Having experienced your group firsthand, my hat is off to you as the organizer of

that group. If there is anything that I can do here in the community to continue to help out on those efforts, let me know.

Ms. Munoz and Mrs. Heidt, I would like to follow up along that line and talk a little bit about your very heart wrenching testimony. I wish we had it not only recorded through the microphones here, but on t.v., as well. Both your cases are exactly why people like Rob Andrews takes time out of his busy schedule when he could be working in New Jersey to come to South Bend to hear what the reauthorization of the Higher Education Act means, and how it directly affects people throughout this country.

I want to again thank you for your great testimony. I want to ask you a question about how we simplify the forms. Both of you have gone through those forms. You need a Ph.D. and a law degree, and an accountant.

Ms. HEIDT. You need a college degree.

Chairman ROEMER. You surely do. It is ridiculous. It takes 2 weeks to do them. You have to ask questions of your accountant, your lawyer and your banker along the way. What can we do? What recommendations can you both make? Then secondly, if you could address what Mr. Washington referred to as one of the basic problems here. That is that we have so many great c high school counselors in our schools who are trying to get to so many people.

What recommendations do you have to improve their ability to utilize Dr. Rasmussen's programs or to be in touch with people like Mr. Washington and his programs?

Mrs. HEIDT. Well, I went with my son to a forum they had at Marion High School on how to fill out your financial aid form. They started out by saying in order to fill out a financial aid form, you need a college education; and in order to get a college education, you have to fill out a financial aid form.

When I looked at it and he brought the sample home, I thought oh, my God! You know, I take care of all our finances at home and do all of our taxes and everything. Most of all, it is the wording. I mean dislocated housewife or whatever. I had to go back, and they keep telling you well, go back to this. You are filling out and then you have to keep going back a page and fill out; you know, read the instructions of what they mean by this word or that word.

Just put in simple language what you want, and you can take it from your income tax form and put it on that. That is all you have to do. And if you have a son or a daughter who is not married, have one form. If it is a student that is married, have another form, not the same one that the parents are filling out for children because you have one column here and the other, and you do not know which one you are supposed to be filling out. They are shaded grey or green or whatever, and you are supposed to fill out this if you are this, or fill out that if you are that.

You keep having to go back to the beginning and the instructions, which you have read to begin with but you cannot remember it once you—like the tax forms.

Chairman ROEMER. Well, that, is not under our committee so we will not approach that problem today.

Mrs. HEIDT. I went through that, and when we left there, we still did not know what we were supposed to doing. You ask the counselors, you know, where can we get financial aid. Well, you go to

the library. They have all these books. Well, you go to the library and you go through all of these volumes of books. They have books for if your son or daughter wants to go into business administration or whatever.

But then there are all kinds. You either have to work for a company that is giving the grants or a scholarship. The one I looked for, you had to have at least 2 years of college before you could get it. Another one he could have qualified for, he had to have at least 2 years, but he had to go to school in Illinois, to a college in Illinois. Well, that would push it up. We would have to pay out-of-state tuition. We still could not afford to have him go.

Another one, because I am of Polish descent, I wrote to the Kosciusko Fund in New York. Well, then in reading it, it would be like he would have to go to Poland to study part of it, or I would have had to be the one that was born in Poland and then he came here so that he could get the money.

You know, there are all kinds of roadblocks no matter where you go. That is why I said it is frustrating and stressful. For 4 years, I have been going through this, and this is what it came to because he was turned down because he does not qualify and he made too much money and tried to help my husband and I.

Ms. MUNOZ. I have an idea.

Chairman ROEMER. Okay.

Ms. MUNOZ. What about students that are low income? They qualify for free lunch. Why can we not take that into consideration and get a different tax form for people that we know are already low income? I think the acting director from St. Mary's has mentioned people that file that simplified form.

Chairman ROEMER. I think you are right, Ms. Munoz, and I think both Mary and Joe recommended that format.

Ms. MUNOZ. And how they say if you are independent or you are dependent; I mean simplify that process. I am sitting there telling kids you have to move out of your parents' home, you are 25 years old, in order for you to be able to get financial aid. It is not just getting the form in, but once they get the first bill from the financial aid office, there is where we lose a majority of the kids. They do not go to school because they do not know how they are going to pay for that. It is scary.

I do not know. Maybe hire specific counselors in the high schools that do the financial process and nothing else. They do not register, they do not do anything. We need those people, an expert, in the schools because I think if there was somebody there that did that all the time and knew all the ends and outs and could be there on call, we would not have these kinds of problems.

Chairman ROEMER. It is an interesting idea.

Ms. MUNOZ. May I ask you a question?

Chairman ROEMER. You can ask Rob one.

Ms. MUNOZ. Okay.

Chairman ROEMER. Sure you may ask a question. Go ahead.

Ms. MUNOZ. For people that go into like service professions, how do you feel about forgiving their loans?

Chairman ROEMER. I think that Senator Bumpers has introduced a bill that would forgive a certain proportion of student loans when you go into teaching. Also, I think Senator Pressler has introduced

a bill that would forgive a certain proportion of the loans, as well, if you go into health care in rural communities.

Our committee will be looking at a number of those proposals as Congress is also looking at a service corps on teach for America. There are a host of ideas out there. As Mary Nacciarone, from St. Mary's said there are graduated repayment rates and that help alleviate some of the stress.

Before I defer to Congressman Andrews, let me just ask a question to Mr. Schulz at this point. I think that Miles is doing some fantastic things, not only in Elkhart County with the Elkhart Community School Corporation, but throughout the United States. You did not talk too much about the Magic with Miles Program or the Mentor Program with the science fair projects that you are working on to improve science and engineering students of the future.

How we can continue to be helpful? What incentives should the Federal Government provide, if any? Maybe we do not need to and should not get involved in the process. Maybe recognition is the best thing that we can do, but let me throw that question out at you, Mr. Schulz. Also, what other things in addition to endowing a chair in a university like Notre Dame do you do in the local community for higher education?

Mr. SCHULZ. Well, I first should comment about what we experience with teachers in the 13 sites in the U.S. where we have facilities. We have our scientists involved in the elementary school systems. As I travel throughout the country and in Elkhart County, we see highly motivated, dedicated, hard-working, great teachers which we should be proud of.

What we have found with science education is that elementary teachers have a concern and a fear, as they verbalize to us through brainstorming sessions, about teaching science. Our science Mentorship Program and the Magic of Miles Program bring real live scientists, Ph.D.s and master degree scientists into the classroom in the elementary schools to show the teachers and the students that science is fun.

What we have seen in the development of curriculum change——

Chairman ROEMER. I wish I would have been in one of those classes, I will tell you. I was intimidated by science very early.

Mr. SCHULZ. Yes, and on the other side, Congressman, I was in a class like that and majored in chemistry, and actually went to college for my bachelor and master's degree on the National Defense Education Act. And I would not be here today if it was not for the NDEA Program. One of five children from Southport, Indiana. All the kids were a year and a half apart, and our family could only get the children through school through the NDEA Program.

Back to your question. I think it is important for the Federal Government to act as a resource center, as the Smithsonian Institution is doing today, to help seed changes in exploration in science education in local school systems. I do not think you need to make a change in every system countrywide.

But what I have found is when we, our company, get involved in a school system in a community, within a year, the communities around that system are getting involved, and it spreads. I think the great educators and the great administrators are always reaching out to find something new, to find something that works. I think

the Federal Government should be aggressive within this act of funding unique programs and provide seed money to local systems to experiment and to try something new. That is what we have tried to do.

Chairman ROEMER. Let me just follow up very quickly and then get to Mr. Andrews. In Oregon, they are experimenting with abolishing the eleventh and twelfth grades. After the tenth grade, you get a certificate of mastery. You are then funneled into one of two programs; one for vocational education or technical/professional education; and the other is college preparation.

What might your parent company Bayer bring to this proposal from its experience in Germany? They probably work with a dual track system there. Is there something that we could learn from that? Let me really put you on the spot. Let me ask you what you think of Oregon's innovations there.

Mr. SCHULZ. I think it is a great idea. I think Oregon should experiment with it in a small way to see that it works before they expand it. I think nationally, we have not looked at the education systems around the world; and if we study what is going on around the world, there are some great things.

In Europe, we see what is called a dual track system. Through a private foundation, a number of the Indiana educators have traveled to our parent company, Bayer, in Leverkusen, Germany, to look at the apprenticeship of dual track training programs.

As I think back in time and worry about personally the large number of students that come through the public system who are not college bound and the real lack of focus of the secondary system to motivate those kids to develop and grow and learn, and then contrastingly look at the European systems, where at age 13 or 14, the student is looking towards a vocation; at age 15, earning a partial part-time income as they are learning their craft, be it a skilled trades craft, or an arts craft, or a service craft, I wonder if we are not misdirected, and I wonder if we should not reconsider what we mean by vocational education in this country.

We, Miles, need very qualified scientific technicians. We now hire our technicians as B.S. chemists and biologists. In Germany, the technicians are developed through a four-year in-house program starting at age 13. That is the difference.

Chairman ROEMER. You bring up a lot of interesting questions that I would like to ask. The great thing is that I can, given that you are in my district and we have had an ongoing conversation on these topics for the past couple of months. I look forward to continuing the conversation with you. I will defer to Mr. Andrews who has been patiently waiting. Thank you.

Mr. ANDREWS. Thank you very much, Tim. Let me just, before I ask a brief question, again thank the panelists for a really exciting series of statements.

You do tend to get a little bit insular and clinical and methodical going through this process in the capital; and to come out and hear people tell their own personal stories really makes an impact. Thank you for taking your time today to do that for us.

Let me again commend your congressman for selecting these panels with such care. It is difficult when you are brand new. I am

also brand new. I was elected at the same time that Tim was, although I am senior to Tim because I was——

Chairman ROEMER. I have not quite figured that out yet, Rob.

Mr. ANDREWS. Well, there are a lot of things, Tim, you have not figured out. But I had the fortune of serving the balance of an unexpired term of my predecessor, who is now the Governor of our State, New Jersey, so I do have that little extra time. But there is an awful lot to catch up on, and the fact that in a very brief period, Tim has been able to really master this issue and bring together a panel today that has touched on every portion is indicative of the care and commitment he brings to every aspect of his job. You are very fortunate to have him serving you, and it is a very personal privilege for me to serve with him.

I wanted to ask Dr. Rasmussen, and Mr. Washington, and Mr. Schulz, and Ms. Munoz this over-arching kind of question, and just ask you to briefly respond. I think all of the programs that you made reference to that are within the reauthorization are necessary, and I support them. Incentive programs, or the kind of creative communications program you have, TRIO. We need to get your message, Mr. Washington, to the Department of Education so they hear the flesh and blood success story.

Mr. Schulz points out very dramatically the need for increased science-based education, and Ms. Munoz any number of issues, most especially of the need to treat independent students differently than we do other students so a 27-year-old woman is not treated the same way as an 18-year-old middle-class person with mom and dad raising them. You know, that may exist on Ozzie and Harriet, but it decreasingly exists in the real world.

I support all of those things, but let me make this comment: One of the things that I think that your testimony implies is that we may have a problem in our public school system where some things that are supposed to be happening on a regular institutionalized basis, are not. We have to have programs like TRIO, and we have to have enhanced science education earlier on in the cycle, and we have to have some of the other things that I just mentioned because the public schools are not always hitting the mark in providing them.

Now, first of all, I am interested in whether you think that is true from your point of view. Secondly, I am interested in hearing whether you think that that is a fair and realistic expectation of the public school system, given the other vast amount of responsibility it has for basic skills; and thirdly, what you think we ought to do about that if, in fact, you think the problem does exist.

I invite any of the four of you, and Mrs. Heidt, I want to ask you a separate question. It is a fairly narrow question.

Mr. WASHINGTON. Without actually being critical of the public schools, because I think looking back, I feel I received a decent education; but I think one of the particular problems is the various responsibilities that the teachers have and the counselors have. A lot of them may look at these extra duties as extra duties and not necessarily—and I am not exactly sure how the scope of their responsibilities are defined within their contract.

But a lot of them may look at this as extra things and there is not necessarily time to do the extra things, or they do not necessarily have the concern.

Again, I have a story—and I am not going to tell it today—very similar to Ms. Munoz's where I was advised to go somewhere else. If I had went to the other place, I would not have ended up on the track I wanted to be on for law school. I think it is a particular problem with minority students, and that is why I do not necessarily think that it is the school system's problem.

But there is a point where the government has to come in on the State or the Federal level to make sure that some of these students who are not receiving this type of advice get the advice; not only the government, but an organization like LPM or any other community-based organization. They have to come in and make sure that this advice, that this career guidance, is given.

So maybe it is not a fair expectation upon the schools. That is why I believe it is going to take a combined effort; and part of the effort, part of the responsibility lies, I think, within the Congress. I think it is such a difficult problem to deal with, but I have seen and I have heard stories like Ms. Munoz's over and over that this happens; and it happens a lot again to minority students. Part of it is maybe a lack of sensitivity there, and maybe the lack of sensitivity is not even intentional. But it still is there, and that is why all these other efforts are needed.

Chairman ROEMER. Thank you. Anyone else care to comment on that?

Ms. MUNOZ. Your question should we continue programs such as TRIO? Definitely.

Chairman ROEMER. No. I believe we should. My question is are our K-12 school systems doing what they ought to be doing. What should they do better?

Ms. MUNOZ. I think Cleo has said it very well, that we need to have somebody there with sensitivity, both cultural and economic sensitivity to the students that they are serving, to be able to say if you have a dream, if you want to be a dentist, let us look at the possibilities and see how do we do that, what are the steps, instead of saying no, do not, let us look at something else.

Mr. ANDREWS. I appreciate that. Mrs. Heidt, I am going to remember your testimony for a long time because I know thousands of families back in my district who could have said exactly what you just said. One of the things that I try to remember every day that I am in the capital is that by and large, I think people like you have been forgotten about by the Federal Government except on April 15.

I will tell you that one of the most frustrating moments I have had—and it is nice to have this one to offset it—was when we had the Secretary of Education who came into one of the initial hearings of the committee. I have met him personally. He is a very genial, gracious person. This is not meant to be a personal affront to him or anyone else.

But he gave a very polished political presentation about the administration's position on reauthorization. I had a chance to ask him the way we are talking now whether he agreed or disagreed with the statement that it should be our national policy that in

this country anyone who wants to get a higher education, who has the ability, and is willing to work for it—I am not talking about a handout now, but is willing to work for it—should get one.

Effectively, his answer was no. Now what he said was education is still primarily a State matter. You might have raised the question of why we have a Federal secretary of education if that is the case. He also said that our fiscal restraints in the country preclude us from even thinking about that as a possibility.

I rather stridently disagree with that position, and we have had some earlier discussions today which tie into this, that I think that one of the basic promises that we were raised on, I was raised on, was that if you are willing to put the time and effort in and you are willing to work for it—not have it given to you, but if you are willing to work for it—you will have the opportunity. And if your son has what it takes to go to Notre Dame, or Harvard, or a community college, or Ball State, or wherever he is qualified to go, and if he is willing to work for it, he should have that opportunity.

We have fallen far short of that objective, and your testimony stands to dramatically illustrate that. Let me just go back to one other point that we talked about earlier in the language of political bureaucracy and try to translate it into something we are trying to do to address that. It is true that the Federal Government has very few dollars to go around to open more doors and expand more opportunities for people like your son and people like your family.

We are trying to find a creative way to take the dollars we are already spending and spend them more fairly and equitably so more people can get the kind of opportunity your son deserves. When we had the conversation earlier today about direct lending—I do not know if you heard it—one of the ideas behind it, if it works the way some of us think that it could, is that the same level that the taxpayers of the country are already spending, already spending on paying for student loan programs, that we would be able to make substantial student loans, perhaps $5,000 per year on a subsidized basis available to people like your son; that we could take that income level, which right now is about $37,500 a year roughly, and raise it to a point where at $60,000 or $65,000 a year, where if your family income is under that level, that loan is available to you.

That is what we are trying to get to. Maybe it would work; maybe it will not. But we are debating that within this committee. But I guess the point that I would make to you is that you need to keep saying what it is you are saying to people like us, and we need to listen to you because I just have a sense out there that you are the person who has been shut out of the process. If we cannot do something to address what you have said today, we ought to hang it up and give somebody else an opportunity. I am sure Mr. Roemer will do something, but I am going to hold myself personally accountable. I just thank you for being here to say that today, and that is all I have to say.

Chairman ROEMER. Thank you, Mr. Andrews. Do any of the panelists have anything else to add at this point before we adjourn this hearing?

[No response.]

Chairman ROEMER. With that, I would like to again thank each and every one of you for your time, your heartfelt testimony and your insight. As Congressman Andrews said, it is one thing to listen to people in Washington, DC. Oftentimes we talk about what we have as a beltway agenda. It is another thing to come to the heartland and hear from the heart what people are experiencing here and what recommendations they, personally, feel should be made for this critical reauthorization of the Higher Education Act.

Sometimes we in Congress, tend to look at money, $12 billion worth of financial assistance, and not really know how it relates to people. I think each and every one of you this morning has made that very clear to Congressman Andrews and me, how it directly affects you and your family.

As Father Hesburgh said, what happens to education happens to America; and that is precisely why I recommended to the Chairman that we bring this committee to South Bend, Indiana, to listen to the educators, the parents, the students, and listen very intently to their problems.

I would like to thank again Congressman Andrews and Congressman Klug for their time. You can see why we are thrilled in the Democratic party to have somebody like Congressman Andrews working with us. Not only is he very bright and thoughtful, but he has a great sense of humor, which we often need in Washington, DC, dealing with many of the same frustrations that you deal with in filling out these forms. Mrs. Heidt?

Mrs. HEIDT. I do have one other question. Father Hesburgh said there were 400,000 foreign students studying in this country. Are they paying for their own education? Because I heard last fall where the United States government is getting together with colleges in the United States and providing four-year, full paid scholarships for students coming from South America to study in the United States.

Instead of using that money to bring those students here from South America, why do we not give our kids in the U.S.A. that money and spread it out so more of them can have it. I get tired and frustrated every time I turn on the news where Father Malloy just came back from Australia because they are trying to get students from there to come here. Now they said they were going to Ireland.

What about kids here? They need it just as much as the other students do. My great grandparents came here from Poland because they thought the United States was a better country. They could get a better education here for their kids and make something of themselves. But yet, now we are going back to the foreign countries. Things are being made there instead of here. Everything is being imported into our country.

My sons have seen something in the store. Well, by the time they save up for it, it is gone and they cannot get it anymore because only so much is brought over in the boat. That is what they told us, anyway. And the next boat load of stuff, they might not get the same things. It will be something else, so they missed out on what they had because they did not have the money to buy it when they first saw it.

Chairman ROEMER. I am reminded by Tom, who has worked on five of these Reauthorization of Higher Education Acts, that you have to be a U.S. citizen for financial aid.

Mrs. HEIDT. But I mean for these four-year scholarships. It was something special that they were going to have for these South American students. Well, if they have the money to bring those South American students here for 4 years on a full ride, why can they not take that money and divide it up for how many U.S. students here?

Chairman ROEMER. Your comments are that we need to focus on the problems here in the United States, including middle-class families getting squeezed along with economically low-income children. As Mr. Klug mentioned, we are working on formulating a Children's Caucus in the United States Congress. Since we are running into problems and frustrations on that front, I concur with many of the things that you are saying.

I, again, want to thank everyone for attending. I want to thank the people in the audience for their interest. Many of you, too, are involved in and committed to trying to find solutions to problems with higher education and primary education.

Once again, I thank the University of Notre Dame for providing this fantastic facility for us to conduct this hearing today. With that, I will officially adjourn this hearing.

[Whereupon, at 2 p.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

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Roy A. Nicholson
Chairman and Chief Executive Officer

August 1, 1991

The Honorable William D. Ford
Chairman
Committee on Education and Labor
2371 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515-2215

Dear Congressman Ford:

I am pleased to forward USA Funds' testimony for the record of the hearing the Subcommittee on Postsecondary Education held in South Bend, Indiana on July 26.

We appreciate the opportunity to provide USA Funds' recommendations for reauthorization of the Higher Education Act. As you proceed with work on the Subcommittee's bill, we would be happy to assist you and your staff in any way we can. Because USA Funds has loan data for 18 guarantors on a single data base, we can easily provide information which is representative of the Guaranteed Student Loan Programs nationwide.

Thank you for the opportunity to testify.

Sincerely,

Roy A. Nicholson

RAN/sed

Enclosure

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U.S. House of Representatives
Committee on Education and Labor
Subcommittee on Postsecondary Education
The Honorable William D. Ford, Chairman

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

August 1, 1991

Testimony Prepared by
Diana Brewster
United Student Aid Funds, Inc.
Indianapolis, Indiana

I am pleased to present to the Subcommittee USA Funds' recommendations for Reauthorization of the Higher Education Act.

United Student Aid Funds, Inc. (USA Funds)

United Student Aid Funds, Inc. is an Indiana-based national financial services organization that specializes in education loans. Incorporated in 1960, the company is headquartered in a 401,000 square foot building in Fishers, Indiana, five miles northeast of Indianapolis. The rapidly growing company employs more than 1,700 people.

The USA Funds program of student loans, established in 1960, provided the model for the Higher Education Act of 1965. Since our first loan, made to a Wabash College student in 1961, we have made approximately 7 million loans to 4.3 million students and parents.

USA Funds participates in the federally sponsored Stafford Loan, PLUS Loan (for parents) and Supplemental Loan for Students Programs as a nationwide guarantor. In 1990, we directly guaranteed over $2 billion in loans to students and processed an additional $1 billion of guaranteed loans on behalf of other guarantors which contracted with us for services - a total of one out of every four loans originated nationwide during that time period. Last year 55% of the 992,787 applications we processed were received electronically, a USA Funds innovation in client services. More than 16,500 lenders and schools participate in USA Funds' loan programs nationwide.

USA Funds is the designated guarantor in the Pacific Islands and six states: Alaska, Arizona, Hawaii, Kansas, Nevada, and Wyoming. We provide the full range of services, including student loan servicing, secondary market brokerage services, loan consolidation, and need analysis processing. USA Funds' software provides electronically transmitted loan applications, electronic funds transfer, and a large variety of electronic and paper reports to students, schools, lenders, and the federal government.

USA Funds also provides contract servicing to other guarantors. We have state-of-the-art systems and software for all guarantor functions: application processing, in-school and repayment servicing, default prevention, collection of loans and reporting. Ten state guarantors and the Virgin Islands contract with USA Funds to provide one or more of these services: Delaware, Indiana, Iowa, Maine, Maryland, Michigan, Montana, Oklahoma, Oregon, and Rhode Island.

USA Funds has grown because it offers innovative service to students, parents, educational institutions, banks, and state and federal governments. Among the developments we have pioneered, which are now imitated throughout the guarantee industry, is the combined loan application/promissory note, which has become an industry standard. It has dramatically reduced the time between the student's loan application and the school's receipt of funds from several weeks to just 24 hours.

USA Funds was also the first to develop electronic servicing options. We offer the industry's most comprehensive electronic services in our CIRCUIT products. CIRCUIT is a fully integrated, flexible product line which

enables lenders, schools and guarantors to communicate rapidly and accurately.

USA Funds plays a vital role in supporting Indiana's delivery of Guaranteed Student Loans to its students. We began to provide full contract services to Indiana in 1978. From our headquarters in Fishers, Indiana, USA Funds staff handles the day to day loan operations of the State Student Assistance Commission of Indiana. With our state-of-the-art products and prompt delivery, USA Funds delivered $240 million dollars in loans to Indiana schools and students during 1990. These loans have gone to 63,000 students attending 265 institutions.

The Program is Sound

Legislation authorizing the Guaranteed Student Loan Programs (GSLP) is based on a solid foundation of public policy that has resulted in a successful program of investment in human capital by providing loans for students to access postsecondary education. This investment has advanced our national goal of economic competitiveness and provided opportunity for our citizens to advance to the highest level they are able to reach. The GSLP has provided nationwide access to postsecondary education. Over $100 billion dollars have been loaned to nearly 50 million individuals and families. New loans totalled over $12 billion last year alone.

Congress Has Taken Steps to Limit the Program's Vulnerability

With the growth of the program and expansion of eligible participants over the past several years, Congress has seen the need to tighten the rules governing the program in order to better manage the program's resources. Significant changes in this regard are the following:

- requiring that the loan checks be sent directly to the school for delivery to the student, eliminating the possibility that the student might choose to use the funds for another purpose;

- requiring that the funds be delivered to students in multiple disbursements which generally coincide with the academic periods, more closely tracking the student's actual school enrollment and limiting the potential loan obligation of the student;

- reducing the SLS loan amount available to first-year students who are enrolled in programs of less than one academic year; the reduction is proportional according to the length of the program, limiting the potential loan obligation of these borrowers;

- requiring a 30-day delay in releasing the first installment of Stafford Loan and SLS proceeds to first-year undergraduate students, assuring that this high risk category of students does not have a loan obligation until firmly enrolled;

- eliminating schools with default rates over 30% from participating in the SLS program for one year, thus protecting students where the school's failure rates lower the student's chance for success;

- eliminating schools with cohort default rates over 35% for three consecutive years from participation in the Title IV programs for a period of three years; again, protecting students where the school's failure rates lower their chance for success; and

- tightening the Ability to Benefit (ATB) rules by requiring schools to admit ATB students who receive Title IV aid on the basis of a pre-approved, independently administered test, eliminating school discretion which often resulted in students being admitted who were not able to complete the work.

The sum of these changes is major reform which addresses key points of vulnerability. We are already beginning to see their positive effects.

The GSLP Can Benefit From Adjustments

We have several recommendations for change, which have been grouped into three areas:

changes to reduce the costs of the program and to strengthen its structure;

changes to increase the integrity of the program; and

changes to modify the loan terms to better serve the borrower's needs.

Changes to Reduce the Costs of the Program and to Strengthen its Structure

The program is vulnerable to criticism because of the costs to the federal government. We think several changes can be made to lower the costs and address this concern.

To reduce costs, we recommend guarantors assume additional default risk through a reduction in federal reinsurance to a flat 95% in lieu of the current sliding scale. Next, we recommend changing the interest rate paid by Stafford borrowers to a floating rate with a cap, as is the case with PLUS and SLS loans. This change would reduce or eliminate the Special Allowance payments to lenders. The Special Allowance was established in 1969 when the 7% interest rate on Stafford Loans did not yield an equitable return to lenders, and many states still defined usury as interest over 7%. We believe that, once a borrower is out of school and starting repayment, a Stafford borrower can afford to pay a floating interest rate that is capped.

The structure of the program can be strengthened by enhancing the strength of guarantors. The Administration has recommended requiring guarantors to maintain a minimum reserve level and requiring that they meet general standards of fiscal soundness. The administration has also recommended that guarantors which do not meet these standards cease independent

operation. We concur. Also, we believe that the program must be structured to provide guarantors with the opportunity and incentives to strengthen their financial positions.

Changes to Increase the Integrity of the Program

One area in which the integrity of the program can be strengthened has not yet been addressed by legislation. This is the structure for establishing eligibility for proprietary school participation in the Guaranteed Student Loan Program. It has been established, most recently in the report made by the Permanent Subcommittee on Investigations, that the triad of state licensure, accreditation and Department of Education certification is not working effectively to determine the financial and administrative strength of proprietary schools prior to admitting them. The steps Congress recently has taken to tighten the program and eliminate schools with excessive default rates have addressed the "back end," that is, controlling a school's participation in the program after admission into it. Our recommendation is to address the "front end" by more tightly controlling initial eligibility to participate in the program.

Changes to Modify the Loan Terms to Better Serve Borrowers' Needs

Recently, the focus of attention on GSL has shifted away from the needs of students. Concerns over costs to the Federal government have grabbed press attention. We believe reauthorization must also retain a strong focus on serving students.

The annual and aggregate maximums for student loans are no longer sufficient to cover a reasonable portion of the dramatically increased costs at many schools. We support the several recommendations by others for increased loan maximums.

We believe that borrowers also would benefit from repayment options which lower their monthly payments. Lengthening the maximum repayment term will permit borrowers to lower their payments by extending them over a longer period. The current 10 year term has not been modified since it was established in 1965. We suggest that the repayment terms for the GSL program be extended to 25 years, consistent with the terms of the Consolidation Loan Program. Many borrowers who need a longer repayment period find it is not beneficial to refinance the loans with a Consolidation Loan because they lose certain benefits available under the Stafford program.

During t 1980's, while federal aid failed to meet the needs of low income student , it also was shifted away from middle income students. We believe that it is vital for federal student aid policy to foster the participation of low income students in post-secondary education and at the same time ensure that middle-income students do not lose access to higher education. The Administration has proposed increased targeting of grant aid to the neediest students. We concur with this proposal. We also recommend that Stafford eligibility again be extended to middle-income students during this reauthorization.

Reauthorization Testimony
July 1991

Thank you for the opportunity of providing testimony on this topic, which is critical to the education of so many individuals today. We welcome the privilege of working with the Committee and staff on these and related issues in the days ahead.

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